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ECONOMIC AFFAIRS

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27 July 1982

**CHINA REPORT
ECONOMIC AFFAIRS**

No. 251

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON PLANNING, MARKET UNDER SOCIALISM

HK130911 Beijing JINGJI YANJIU in Chinese No. 6, 20 Jun 82 pp 28-31

[Article by Zhang Wenmin [1728 0795 2404]: "Discussion on Socialist Planned Economy and the Relations Between Commodities and Money"]

[Text] The discussion on the socialist planned economy and the relations between commodities and money not only involves the question of how to understand the socialist economic system but also provides the theoretical basis for the reform of the economic system. Over the last few years, extensive discussions have been carried out on this issue and the following advances have been made: First, the idea which has held a dominant position for many years is that the planned economy and commodity economy, the law governing planning and the law of value and regulation by planning mechanism and regulation by market mechanism are all mutually antagonistic and exclusive. Through discussions, it is generally believed that in the socialist economy, these pairs of relationships are mutually contradictory on the one hand and can be integrated with one another on the other hand. Second, the idea which has occupied a dominant position for many years is that commodity relations in the socialist economy only exist among the different forms of ownership system and do not exist in the internal departments of the economy under the system of ownership by the whole people and that the latter only preserves the outer shell of commodity relations; the law of value only plays an influential role rather than a regulatory role in socialist production. Through discussions, it is generally believed that in the internal departments of the system of ownership by the whole people, including the production and circulation of the means of production, there exist commodity relations; together with the law governing planning, the law of value plays a regulatory role in the socialist economy. Third, we have held the opinion for many years that the sort of highly centralized planned management system which we learned from the Soviet Union in the early 1950's was the only permissible pattern for a socialist planned economy. Through discussion, more and more people have come to understand that the socialist planned economy is not confined to the pattern which we were familiar with in the past. So long as the socialist public ownership system and the principle of distribution according to work are upheld and no exploitation of man by man is permitted, it is permissible to adopt various different forms of the integration of planning with the market. Fourth, with regard to the form of integration of planning with the market, there was only one form of integration in the

past, that is, the "block-style" integration where the major part of the national economy is put under planned management while the supplementary part is put under regulation by market mechanism. Through discussions, we have gradually understood that apart from the "block-style" integration, in the planning and market under the socialist economy, there should still be an "osmosis-style" integration and a "colloid-style" integration.¹ In the last year or so, continued discussions on planned economy and the relations between commodities and money have been carried out. The discussions consist of the following questions:

I. The Planned Economy and the Relations Between Commodity and Money Judged by the Fundamental Characteristic of the Socialist Economy

It is generally believed that the socialist economy is a planned economy. The main focus of the controversy lies in how to approach the relations between socialist commodities and money.

The first idea holds that the planned economy and the commodity economy are antagonistic and that, the former is the fundamental characteristic of the socialist economy while the latter is not.

1. The fundamental characteristic of the socialist economy must be the planned economy rather than commodity economy. The planned economy can become one of the major indications which differentiate the socialist mode of production from other modes of production while the commodity economy cannot play this role.²

2. The planned economy takes the means of production belonging to one and the same owner as the prerequisite while the commodity economy takes the means of production belonging to different owners as the prerequisite. Therefore, the planned economy and commodity economy are essentially mutually contradictory. In the socialist economy, owing to the existence of the two types of ownership system and diversified economic sectors, there are the conditions and necessity for the existence of a commodity economy and furthermore, the socialist planned economy itself adopts some forms of commodity economy but by no means must we mix the former with the latter.³

The second idea maintains that the fundamental characteristic of the socialist economy must include the commodity economy. However, the respective expressions are different.

1. Socialism is a transitional stage from a commodity economy to a planned economy and concurrently has both the properties of a planned economy and of a commodity economy. Therefore, during the whole socialist historical period, the distribution of social labor is regulated jointly by the two forms--planning and the market. In terms of the scope and degree of regulation, regulation by planning mechanism develops from less to more and from weak to strong but regulation by market mechanism develops from more to

less and from strong to weak. With the withering away of commodities and money, planning will replace the market and become the only way of regulating the economy.⁴

2. Socialism is a planned economy rather than a self-sufficient natural economy and is a planned economy where there extensively exist commodity production and commodity exchange, and is not a product economy which excludes the relations between commodities and money.⁵

3. The socialist economy is a planned economy. The law governing planned development is the regulator of the socialist economy. However, this term is not very complete, because the socialist economy is, after all, a commodity economy which is based on the public ownership system (that is, an economy in which planning and commodities are united. While the law governing planning plays a regulatory role in the socialist economy, the law of value will inevitably play a regulatory role as well.⁶

4. The public ownership of the means of production by society plus distribution according to work and socialist commodity production constitute the fundamental content of the socialist economic system.⁷

5. Socialist society is still a society with a socialized commodity economy. The commodity economy is an economic form which suits China's economic construction. Only when the principles of the commodity economy are upheld, can the drawbacks existing in the current management system be overcome and can a management system which corresponds with the needs of the development of the productive forces be established.⁸

The third idea deems that it is not advisable to regard planning as the only characteristic of essential characteristic of the socialist economy. This is because the essential characteristic of the socialist economy lies in the fact that the producers and working people are the masters of the house on the basis of the public ownership of the means of production and that direct management is practiced in the whole social economy. It is wrong to regard planning as the only characteristic of the socialist economy by deviating from this point. However, I still stress that one of the major advantages of the socialist economy lies in its planning.⁹

II. How Are We To Understand Socialist Commodity Production and Commodity Exchange?

The first idea regards that a commodity economy means anarchy and blind competition. Although in the socialist stage, it is still necessary to vigorously develop commodity production and commodity exchange, this does not mean recognizing that the socialist economy is a commodity exchange.¹⁰

The second idea considers that commodity production and commodity exchange are commonly summarized into commodity economy. Developing commodity production and commodity exchange also means developing a commodity economy.

However, in the socialist stage, it is a commodity economy under the state plan.¹¹ Without substantially developing socialist commodity production and commodity exchange, the planned development of the national economy will come to nothing. The argument that developing commodity production and commodity exchange means weakening and even breaking away from the planned economy is to set the planned economy against the commodity economy.¹²

The third idea deems that the phrase "the socialist economy is a planned economy" is permissible, if it is aimed at laying stress on overcoming the influence of the natural economy and developing socialist commodity production and commodity exchange. But it will be wrong, if it is aimed at stressing commodity production, exaggerating the regulatory role of the market and negating the inevitability of the planned economy.¹³ There are still comrades who think that socialism is a planned economy and then a commodity economy, saying that "the planned commodity economy" puts the focal point of the socialist economy on the commodity economy rather than on the planned economy and thus "being in a planned way" has become one of the properties of the commodity economy.¹⁴

The fourth idea holds that the formulation whether the essential characteristic of socialism is a planned economy or a commodity economy is itself unscientific. Marxism tells us that the essential feature of socialism is from each according to his ability, to each according to his work. The essential feature of capitalism is the system of wage labor with the capitalists exploiting the surplus value created by the workers. In addition, the planned economy is the opposite of the anarchy of the capitalist economy while the commodity economy is the opposite of the natural economy. Strictly speaking, this is not a problem within a category or series.¹⁵

III. How Are We To Understand Giving the Planned Economy Priority?

During this year's spring festival, in a talk with the leading comrades of the State Planning Commission, Comrade Chen Yun stressed that in industrial and agricultural production, the principle of taking the planning economy as the dominant factor and regulation by market mechanism as the supplementary one should be upheld. During the discussion, there were the following points of understanding on giving priority to the planned economy.

The first idea argues that plans of a mandatory nature are the basic manifestation of the socialist planned economy; the important enterprises vital to the state's economic lifelines are run by the state; and the products which concern the national economy and the people's livelihood are put in the hands of the state. Practicing plans of a mandatory nature in the portion of production which constitutes the greater part of the total industrial and agricultural output value shows that ours is basically a planned economy.¹⁶

The second idea regards that giving priority to the planned economy refers to giving priority to planned management. Planned management includes the plans of a mandatory nature and plans which perform the function of guidance.

Besides plans of a mandatory nature which should be carried out for a small number of products which have a bearing on the national economy and the people's livelihood, in the production and marketing of most products, plans which perform the function of guidance should be adopted, that is, regulation by market mechanism under the guidance of state planning.¹⁷

The third idea considers that giving priority to the planned economy means giving priority to regulation by planning mechanism. Our national economy mainly depends on regulation by planning mechanism and the regulation by market mechanism which bears the feature of the spontaneous forces only plays a supplementary role.¹⁸

IV. How Do We Understand Regulation by Market Mechanism?

The first idea deems that we have neglected and even negated the market regulating role of the law of value for some years in the past. So, in the current economic system reform, the role of the market must be gradually expanded under the guidance of the state plan. That is to say, we must integrate the law governing the proportionate and planned development of the national economy with the regulatory role of the law of value, with the former playing the leading role.¹⁹

The second idea holds that regulation by market mechanism mainly depends on the spontaneous regulation by the objective laws, but this does not mean we no longer need any administration or management. For instance, it is impossible to bring all small commodities whose output value constitutes a small fraction in the total industrial and agricultural output value and whose varieties number tens of thousands in line with the state plan. They have to be produced freely according to the varied market conditions and within the limits allowed by the state plan.²⁰

The third idea maintains that besides the products which are not incorporated within the state plan and are not produced according to targets of a mandatory nature that are in the category of regulation by market mechanism, the state's use of the market mechanism and the various economic levers (for instance, pricing, credits and rates, taxation, and so on) which are related to the market mechanism for regulating the general market supply and demand as a means to accomplish the goals of regulation by planning mechanism also belong to the category of market mechanism.²¹

V. The Relations Between Planned Economy and Regulation by Planning Mechanism

The first idea holds that the planned economy is an economy which is conducted under regulation by planning mechanism. The planned economy refers to an economic system. Regulation by planning mechanism refers to a form of regulating social production. The social economy practices a planned economy. This is the basis for calling it a planned economy. Therefore, the scope of a planned economy and of regulation by planning mechanism must be identical.²²

The second idea considers that the two are essentially different. The planned economy is an economic system and it can only be realized on the basis of the public ownership of the means of production. Regulation by planning mechanism is a method of managing the national economy. It is also determined by the demand for the socialization of production. Partial regulation by planning mechanism can also be practiced under capitalism but that does not constitute a planned economy.²³

VI. Is There Any Need to Practice Plans of a Mandatory Nature?

The first idea which prefers the abolition of plans of a mandatory nature deems that when the development of the productive forces is at a fairly low stage and we force ourselves to indiscriminately bring the economic activities of the production units which differ vastly in economic and natural conditions in line with all-embracing plans and enforce their implementation by using means beyond economic means, then this kind of regulation by planning mechanism will possibly turn out to be neither good nor rational. What is of vital significance is that state plans must not be delegated from level to level as administrative orders and must not force, by resorting to any means outside economic means, the enterprises to carry them out. This is because an enterprise is a relatively independent commodity producer rather than an appendage of the state organs of power at the various levels.²⁴

The second idea considers that learning to use the economic levers, gradually reducing plans of a mandatory nature and replacing plans of a mandatory nature by plans which have a guiding function will become an important content of our future reform of the planning system. Of course, even after we have learned to use the economic levers, plans of a mandatory nature should not be abolished. With regard to the investment in the major capital construction projects and the production and distribution of a small number of materials vital to the national economy and the people's livelihood and particularly the materials which are in short supply (such as grain and energy), plans of a mandatory nature should be, in future, carried out for a long period of time.²⁵ There are still comrades who argue that in theory, the general orientation of the reforms must be to carry out plans of a non-mandatory nature rather than plans of a mandatory nature. But, in practice, it is unrealistic to try to immediately abolish plans of a mandatory nature. Perhaps so long as the system of ownership by the whole people still adopts the form of the state ownership system, it is impossible to completely abolish plans of a mandatory nature and furthermore, to suit at any time the needs of the political and economic situations. They will be used in varying degree to control the national economy so as to ensure the socialist orientation of its development.²⁶

The third idea maintains that under a unitary ownership system, management is highly centralized; the form of administration and management is adopted and in addition, unified business accounting is practiced. Under the socialist system of ownership by the whole people, the state which represents

the people is the only owner, therefore, it inevitably adopts highly centralized management and must adopt administrative and managerial methods. This kind of planned management is mandatory and compulsory in nature.²⁷

VII. Is the Phrase "Integration of Regulation by Planning Mechanism With Regulation by Market Mechanism" Right?

The first idea holds that socialism is a planned economy rather than a commodity economy. Therefore, there are no such problems as regulation by market mechanism and the interrelationship between the two types [words indistinct] the dominant factor and regulation by market mechanism as the supplementary one, bringing the regulatory role of the market under the guidance of the state plan into play and combining regulation by planning mechanism with regulation by market mechanism and not setting the former against the latter, none of them are correct.²⁸ Some articles still reckon that planned economy and regulation by market mechanism cannot be mentioned in the same breath.²⁹

The second idea maintains that the phrase, the two regulations, is not precise.

1. The management system of the national economy which is suited to the specific conditions of our country must be to practice the planned economy and to bring the supplementary role of the regulation by market mechanism into play under the basis of the public ownership system. It is different from the highly centralized economic system which gives priority to administrative methods or the system which attaches sole importance to regulation by market mechanism at the expense of planned management. The previous formulations, such as integrating regulation by planning mechanism with regulation by market mechanism or taking the planned economy as the dominant factor and regulation by market mechanism as the supplementary one, reflect our failure to find better terms to describe certain economic phenomena.³⁰

2. See from the meaning of regulation by planning mechanism and regulation by market mechanism, the phrase, the integration of the two regulations, is not very accurate. This is because the two regulations refer to regulating the ratio, supply and demand, and pricing of social production, of which the regulation of pricing is an intermediary means for regulating the ratio, as well as supply and demand, of production. In phrasing terms, they all can be called "regulation by planning mechanism," because they are all conducted in an organized and planned way rather than in a spontaneous way. They can also be called "regulation by market mechanism" (being merely planned "regulation by market mechanism"). This is because the former regulates the ratio as well as supply and demand of social production in the light of social needs and the conditions of the productive forces we have learned from the market; and the latter regulates the ratio as well as supply and demand of social production in accordance with the socialist law of value. Therefore, we must separate them, regarding

a certain item as "regulation by planning mechanism" and the other as "regulation by market mechanism," but we have to refer to them collectively as "regulation by market mechanism under the guidance of planning" or "planned regulation by market mechanism."³¹

The third idea considers that it is advisable to use the phrase of the two regulations, because practicing planned management in the national economy on the basis of the public ownership of the means of production, as we commonly term it, basically means regulation by planning mechanism. In addition, the whole socialist economy is still a commodity economy; the law of value will inevitably play a part and therefore regulation by market mechanism must be practiced. So, the problem lies in how to correctly combine regulation by planning mechanism with regulation by market mechanism.³²

VIII. Are the Problems Arising in Current Economic Life Related to Still Regarding, in Theory, the Socialist Economy as a Commodity Economy?

The first idea argues that the reason why there have been in the last 2 or 3 years, the phenomena of blind production, duplicate construction, the small squeezing out the big, the local squeezing out the foreign, and the phenomena of indiscriminate distribution of bonuses, the driving up of prices and economism, is directly related to still regarding, in theory, the socialist economy as a commodity economy.³³ Another argument is that the reasons for this state of affairs are multifarious. But the most important one is that up to now there has been a lack of unanimous understanding of the major theoretical problems in directing the system reform, such as, the essential properties of the socialist economy and the relations between the planned economy and regulation by market mechanism. Some treatises overemphasize the commodity economy, the law of value and regulation by market mechanism to the neglect of planned economy. Moreover, by weakening the state plan, relaxing planned management and putting regulation by planning mechanism on a level with regulation by market mechanism, our national economy is then bound to encounter trouble.³⁴

The second idea considers that with regard to the mistakes in our economic work, it is better to say that they are the result of the failure to suit the measures in the economic reform to the needs of the readjustment and reorganization and the failure to give adequate consideration to the wholeness of the economic management system and the synchronism of the reform measures than saying that regulation by market mechanism has been carried out excessively. As a result, both regulation by planning mechanism and regulation by market mechanism are very imperfect and therefore they have failed to give play to their role. At the same time both of them are difficult to closely coordinate so as to form a unified system for regulating the national economy. For instance, the financial and economic discipline needed by planning and to ensure the implementation of plans of a mandatory nature need serious reorganization. The task of the economic readjustment in regulation by market mechanism has not yet been fulfilled, the phenomena

where supply falls short of demand are still a common occurrence and thus make it difficult for the market to play its supervisory and encouraging role in production. The reform of the management system of enterprises is mainly confined to the expansion of the decisionmaking power of enterprises. Owing to the lack of coordination of the measures of the pricing systems and of the system regulating taxation and credit, it is difficult to make an objective appraisal of the operations of the enterprises and urge the enterprises on to improve their operations and management, and it is also difficult to ensure that the enterprises boost revenue only through their own efforts to raise production and practice economy, rather than by relying on "undermining the state treasury" and on infringing upon the interests of the consumers. Furthermore, the method of everybody "eating in separate kitchens" practiced in financial affairs has deepened the contradictions between regulation by planning mechanism and regulation by market mechanism. Failure to solve these contradictions in good time will give rise to some gaps and leaks in the management system of the national economy and will lead to chaos.³⁵

FOOTNOTES

1. See: Liu Guoguang: "Some Tentative Ideas on the Study and Discussion on Planning and the Market," CAIMAO JINGJI [FINANCE AND ECONOMY], No. 2, 1982.
2. Li Zhengzhong: "A Discussion on Planning and the Market," GUANGMING RIBAO, 26 Dec 1981.
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5. He Jianzhang: "Planned Economy and Regulation by Market Mechanism," JINGJI YANJIU, No. 6, 1982.
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11. Wang Xiangsheng: "Planned Economy Should be Practiced on the Basis of the Public Ownership System," BEIJING RIBAO, 15 Feb 1982.
12. A speech delivered by Wang Yu at the forum on "Uphold Taking the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," CAIMAO JINGJI [COMMERCIAL ECONOMICS], No. 4, 1982.
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15. See: Speech delivered by He Jianzhang at the forum on "Uphold Taking the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," CAIMAO JINGJI, No. 4, 1982.
16. Deng Liqun: "Correctly Handle the Relations Between Planned Economy and Regulation by Market Mechanism," JINGJIXUE ZHOUBAO, 22 Feb 1982.
17. Xue Muqiao: "Take the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," HONGQI, No. 8, 1982.
18. See: Speech delivered by Sun Yefang at the forum on "Uphold the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," CAIMAO JINGJI, No. 4, 1982.
19. Xu Dixin: "The Overall Balance of the National Economy and Regulation by Market Mechanism," CAIMAO JINGJI, No. 4 1982.
20. Xue Muqiao: "Take the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," HONGQI, No. 8, 1982.
21. Fang Bingzhu: "Regulation by Planning Mechanism and Regulation by Market Mechanism," SHEHUI KEXUE JIKAN [COLLECTION OF SOCIAL SCIENCES], No. 2, 1981.
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23. Zhang Zhuoyuan and Xing Junfang: "Uphold Regulation by Market Mechanism Under the Planned Economy," CAIMAO JINGJI, No. 5, 1981.
24. See: CAIMAO JINGJI CONGKAN [COLLECTION OF FINANCE AND ECONOMY], No. 1, 1981, pp 5, 7.
25. Xue Muqiao: "Take the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," HONGQI, No. 8, 1982.
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28. See: Wen Tong and Rui Pu: "The National Forum of Party Schools on the Teaching of Political Economics," RENMIN RIBAO, 16 Oct 81.
29. Tian Fang: "The Market Economy Must be Upheld," JINGJIXUE ZHOUBAO, 8 Feb 1982.
30. Xue Muqiao: "Addendum to 'A Study of China's Socialist Economy,'" HONGQI, No. 21, 1981.
31. Luo Gengmu: "On the Connotations of 'Regulation by Planning Mechanism' and 'Regulation by Market Mechanism,'" GANJIANG JINGJI [GANJIANG'S ECONOMY], No. 11, 1981.
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33. See: Wen Tong and Rui Pu: "The National Forum of Party Schools on the Teaching of Political Economics," RENMIN RIBAO, 16 Oct 1981.
34. Tian Fang: "The Market Economy Must Be Upheld," JINGJI XUE ZHOUBAO, 8 Feb 1982.
35. See: Speech delivered by Wu Jianglian at the forum on "Uphold Taking the Planned Economy as the Dominant Factor and Regulation by Market Mechanism as the Supplementary One," CAIMAO JINGJI, No. 4, 1982.

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ECONOMIC PLANNING

'JINGJI YANJIU' DISCUSSES PLANNED ECONOMY

HK140320 Beijing JINGJI YANJIU in Chinese No. 6, 20 Jun 82 pp 3-8

[Article by Gong Shiqi [7895 1102 0366] and Xu Yi [6079 3015]: "Firmly Take Planned Economy as the Key Link With Market Regulation Playing a Supplementary Role"]

[Text] To firmly take planned economy as the key link with market regulation playing a supplementary role is a constant theory of Comrade Chen Yun. In early days following the founding of New China, he suggested a comprehensive plan with little flexibility. Following the basic completion of the socialist transformation of the means of production in our country, Comrade Chen Yun said that planned production was the key in industrial and agricultural production while free production under the sphere permitted by state planning and according to market changes was a supplement to planned production. The state market was the key link to the socialist unified market while the free market of certain sphere and under state leadership was the supplemental link to the state market. This was the summary of the relationship between planned economy and market regulation made by Comrade Chen Yun on the basis of the situation at that time; it is also a far-reaching assumption that still is of guiding significance for us today. Over the past year and more, Comrade Chen Yun stressed the importance of planned economy on many occasions with a definite purpose. During the spring festival this year when he met comrades from the State Planning Commission, he said that our country is undertaking planned economy, that industry must use planned economy as the key link and that agriculture must also still have planned economy even after the implementation of the production responsibility system. In running enterprises it is even more necessary for us to stress the importance of planning. In short, to correctly understand and handle the relationship between planned economy and market regulation is a basic question of socialist economic theory as well as a key question in transforming the economic system.

Planned Economy is a Feature of Socialist Economy

Planned economy is a basic feature of socialist economy. Socialist society carries out planned economy on the basis of the public ownership of the means of production so as to guarantee a proportionate development of the national economy through a planned and conscious balance. This society is basically contradictory to the capitalist society which is characterized by anarchic

production. Originally, it was an objective need in production in all societies and particularly in social mass production to distribute social labor according to certain proportions. But under the capitalist system, social economy can in no way be developed proportionately or in a planned way because of the contradiction between social production and private possession of the means of production. Following the formation of the public ownership of the socialist means of production, it has become not only necessary but also possible to proportionately distribute social labor. Engels said that following the replacement of capitalism by socialism, "anarchic production has given way to social planned regulation in production that is carried out according to the need of society and each member of this society."¹ Through planned distribution of social labor, a socialist society will be able to keep a balance between social production, social needs and people's life and economic construction, to guarantee a smooth situation in expanding social reproduction and to constantly improve people's standard of living on the basis of constantly improving production. When there is a balance in the development of the national economy, the country will be in a position to resort to various measures to deal with various situations, establish a new balance more rapidly and avoid an appearance of a cyclical economic crisis caused by a blind development of capitalist market economy. Therefore a socialist society is in a position to make productivity constantly promote the growth of socialist production, and the production relationship can be timely readjusted and improved to accord with the needs in the development of the productive force and consequently display the tremendous superiority of the socialist system. Lenin held that to carry out planned economy under a socialist system is an important condition for eliminating exploitation. He said: "It is only by implementing tremendous and socialized planned economic system and giving the rights of ownership over land, factories and tools to the working class will it be possible to eliminate all kinds of exploitation."² As we have basically realized planned economy, an independent and comparatively complete industrial system and national economic system therefore have been formed in our country over the past 32 years and the backward economy of the semifeudal and semicolonial Old China has been changed. Therefore it can be seen that for socialism it is a historical necessity to carry out planned economy while socialist economy has a tremendous superiority that is incomparable for capitalist market economy.

Of course, when we say that socialist economy is a planned economy, we refer to the whole economy and its nature. The production and exchange of commodities still exist during the socialist stage, therefore, in carrying out planned economy it is necessary to make regulation fully display its supplementary role; otherwise the planned economy will not be complete. There are hundreds of thousands of varieties of social products and therefore it is impossible to include all of them in planning. If we reluctantly do so we will eventually spoil planned economy. An important reason why we could not fully display the superiority of planned economy was that we did not display well the supplementary role of market regulation. Eventually, the plan's contents were too excessive and the limitations were too rigid.

As a result, production departed from sales and it failed to meet the varieties of needs of people's material and cultural life. Therefore under socialist conditions, carrying out planned economy as the key link with market regulation playing a supplementary role is an objective necessity that is independent of people's will.

Persist in Planned Economy and It Is Incorrect to Replace Planned Economy With Market Economy

In discussing planned economy and market regulation over the past few years, some people held that the failures in our economic construction were caused by the planned economic system. They held that since planned economy is carried out by various levels on the basis of an order from above, this type of economy is not as flexible as market economy because it cannot automatically readjust market demands and consequently they suggested replacing planned economy with market economy. This view is wrong.

We held that the key questions of whether the superiority of planned economy can be displayed is that whether the guiding ideology in economic construction is correct and whether the planning accords with objective law. Practice proved that as long as we are able to follow the objective need of the socialist economic law and particularly are able to work out the planning for the development of the national economy according to the objective need of the socialist basic economic law, we will be able to display the superiority of planned economy. Our economy experienced a rapid development during the first 5-year plan, economic effects were good and people's life was considerably improved mainly because we had a correct guiding ideology and the planning basically accorded with objective law. The outstanding achievements of the economic readjustment in the 1960's once again proved the tremendous strength of the planned economic system. All these showed that as long as we are able to respect objective law, we will be able not only to rapidly develop the economy by relying on the planned economic system but also consciously correct our mistakes in economic work. These situations are unmachable by the capitalist society, which relies on spontaneous market readjustment.

From the view point of negative experiences, the serious setbacks in our economy since 1958 such as the Great Leap Forward, the 10 turbulent years and rashness in our work in 1978 were not the products of planned economy; they were caused by leftist mistakes. A feature of leftist ideology is violating objective law, exaggerating the role of subjective ideology, rushing to make achievements in economic construction, paying no attention to proportionate planning and comprehensive balance, denying the supplementary role of market regulation and working out planning at will. All these run counter to the basic demand in planned economy. Therefore the tortuous path in the development of our economy was not caused by planned economy but because we violated planned economy.

Some people said that planned economy is an economy under administrative leadership and without access to information. On the other hand, market economy is in a position to rapidly reflect market changes. Therefore planned economy can easily cause a stagnant production economy. Is this a fact? The answer is no. Of course, there is no doubt that there existed various shortcomings in previous economic management system and planning work such as not enough investigations into people's needs and market situations, no access to information, no statistics for working out planning and inaccurate economic predictions. Therefore our economic management system and planning work have to be transformed. But these shortcomings are not inherent or insurmountable contradictions of the planned economic system. Taken as a whole, planned economy is in a position to gather economic information even more effectively and accurately than market economy. This is because the whole socialist economy is a planned economy and not anarchic and there is no conflict of interest among the socialist country, the collective and individuals, departments, regions and enterprises. But in a capitalist society, there exists a life-and-death contradiction in which everyone is trying to cheat or outwit others. Socialist economy is an organic entity. The various aspects and links of various departments, regions and social reproduction are closely related to and complement each other under unified planning. According to the needs of planned economy, various economic activities can be rapidly reflected through daily financial revenues and expenditures, settling an account of banking deposits and loans, commercial purchasing and selling activities and withdrawal from or putting currency into circulation. This situation has enabled people to gather and analyze various economic information over time and expose contradictions using marcoeconomics as the basis for making decisions. Even if there are some obstacles in the information system, people will be able to consciously carry out improvement measures. But a capitalist society is characterized by blind competition, covering up reality and offsetting each other's strength, and therefore it will never be able to establish a system that is characterized by a socially unified and conscious transfer of economic information. In a socialist society it is possible to get accurate information. Comrade Chen Yun said that access to information reflects access to financial, monetary and commercial departments and he suggested to restoring the prestige of these departments. In the past, we found that we did not have access to information and mainly it was because of "leftist" interferences. Under the pressure of high goals, exaggeration and blind command in the past, people dared not reflect things as they really were, and when they did so, they were regarded as conservative and criticized. Consequently, even if people were acquainted with correct economic information, they would not care. Therefore it is apparent that this situation was not caused by the planned economic system itself.

Some comrades who are doing actual work felt that planning limits their work and consequently they cannot carry out work freely. So they felt more free to carry out market economy. What is the freedom of market economy? This freedom in fact denies planned economy. If enterprises are completely independent and the items and volume of their production completely depend on market supply and demand and the amount of profits, our economy will

inevitably lean in a capitalist direction. According to Engels, freedom is the necessity that has already been understood and it is a historical necessity for socialism to carry out planned economy. If we do not follow this historical necessity but engage in economic liberalization, we will be punished by history and we cannot achieve true freedom. With regard to limitation by planning, if it means unnecessary shackles in economic activities because of an irrational system and shortcomings in planning work, such limitations must be abolished. If it refers to the limitation that is necessary in some aspects to guarantee the unification of the whole country, such limitation is rational and necessary and we cannot oppose it. According to an old saying: "People do not do something for the purpose of doing it later." "Do not do" is exactly the price for "doing it." Without unified planning and limitation and each minding his own business, we will accomplish nothing and the entire economy will be damaged.

In short, we must correctly analyze the historical experiences gained in carrying out planned economy over the past 32 years, analyze the victories we have made and the setbacks we have endured, separate the mistakes in economic work that are caused by leftist ideology and run counter to objective law from the planned economic system itself, and separate the necessary limitations in economic life by planning from unnecessary shackles. We must persist in what is correct in economic work and oppose what is wrong and fully display the superiority of planned economy; we cannot throw away a child with the dirty water from a bathing basin.

It Is An Objective Need in Planned Economy to Carry Out Necessary Centralized Unification

In carrying out planned economy it is imperative to persist in the principle of taking the whole country into account and strengthening centralized and unified leadership. There must be a certain division of rights under unified leadership and it is necessary to hand over certain rights of management to various levels and particularly to the grassroot enterprises so as to mobilize the initiative of various aspects and promote production and construction. Our experiences showed that it is wrong in any period to pay attention to unified planning but neglect management by various levels. But with excessive decentralization, the state will lose its ability to control the whole situation and this means an anarchic situation will result. It was a serious historical lesson for us in 1958 to let a hundred flowers blossom without control. We cannot lopsidedly stress the importance of enterprises themselves and neglect the necessary centralized unification, nor can we forget the importance of the planned and proportionate development of the national economy. Engels said: "The materialistic conditions for production and circulation cannot but become complicated following the development of big industry and agriculture and the sphere of this authority tends to expand. Therefore it is ridiculous to regard the principle of this authority as absolutely bad and to regard the principle of autonomy as absolutely good."³ To oppose centralized leadership and unified planning is in fact to oppose authority, oppose leadership over economic work and

oppose socialist planned economy. With regard to centralizing and decentralizing rights, we must follow the principle of seeking truth from facts, correctly analyze concrete problems and overcome the shortcomings that really exist; we cannot treat this question in a simple way. Over the past few years we have expanded the autonomy of enterprises and activated economic activities; the orientation of all these measures is correct and achievements have been made in this work so therefore we must persist in this method. But at the same time, it is necessary to strengthen planned management over the whole situation. Comrade Chen Yun said in 1957: "Following decentralization of rights, balanced work must not be weakened but strengthened." The tendency of departmentalism, separatism and solely seeking profit still exist at present in some places, enterprises and units and it must be opposed. This tendency includes disregarding state planning and over-producing unsalable products or goods so as to increase retention and awards; willfully retaining tax funds and profits that should be handed over to the state treasury; arbitrarily suppressing the purchasing tasks of agricultural and sideline products and expanding the scope of increasing and negotiating prices; in addition, the scale of capital construction is not in accord with outside planning and surpasses the planned construction, construction is blindly carried out, there is duplication in construction and there is no differentiation between small and large construction or between the backward and the advanced. The existence of all these showed that at the present stage it is necessary to strengthen centralized unification. What merits our attention is that to see from some major economic cases that has so far been exposed, we can say that if we weaken planned economy, the tendency of departmentalism, separatism and solely seeking profit will develop and we will be giving those who engage in corruption, cheating, speculation and profiteering as well as bribing a chance to carry out capitalist activities. Experiences proved that persistance in centralized and unified leadership cannot be separated from the persistance on the socialist road.

Some people said that a unified and centralized management system will guarantee a smooth implementation of correct economic policies but it will also make incorrect policies uncheckable, and according to this view it seems that major shortcomings in our economic work stemmed from centralization. This aspect calls for a concrete analysis. Why during the highly centralized period of the first 5-year plan and the readjustment period in the 1960's were we able to make tremendous achievements, while during the 3 years of the Great Leap Forward and the period of 10 turbulent years in which the rights of economic management were comparatively decentralized our economy met with serious setbacks? It can be seen that the problems are not simply because of centralization. The reasons are: first, whether the centralized things are necessary and whether they accord with the need in planned economy. Experiences of our country proved that if we centralized what should not be centralized, we would affect the initiative of various aspects and this situation would not be in the interest of an active economy; if we do not centralize what should be centralized, we will give rise to the danger of the emergence of economic liberalization and of our inability to control the whole situation. We do not agree to highly centralize everything

but the necessary centralization by the state cannot be relaxed. Second, the question of how to guarantee the correctness of centralization depends on whether this centralization is based on democracy, science and on the practice of the broad masses of the people and particularly of the experts in various trades; in the final analysis, whether it accords with objective law. It is because economic life, economic law and natural law involve many aspects and have very rich contents that they cannot be completely understood by just a single or a few persons and they can only be grasped by the broad masses of the people and particularly experts in various aspects. In carrying out economic leadership, all major decisions must be treated cautiously. Before each decision is made through policy, it is imperative to solicit the opinions from various backgrounds and to let experts fully and repeatedly discuss and study the various possibilities of the decision. Furthermore, decisions have to be tested in practice and then amended, and the experiences in carrying out these decisions have to be summed up so as to improve our understanding. In this way we will be able to avoid as much as is possible making serious mistakes in our decisions and we can find mistakes in time and rapidly correct them so as to avoid affecting the whole situation. We cannot give up eating for fear of choking, nor can we deny planned economy and abolish the necessary centralization for fear of making serious mistakes in policies. It will not do to control the mistakes in macroscopic economic policies by making use of market regulation and activating the economy. On the contrary, our experiences show that it is only under the premise of planned and proportionate readjustment of the national economy that the business of each enterprises can be really activated. Otherwise, even if the business can be activated, it will not last long.

Socialism Must Promote the Production of Commodities in a Big Way But Production Is Not a Feature of Socialist Economy

During the present stage in our country and for a comparatively long time to come, to develop the production of commodities in a big way and the exchange of commodities represent a major question of developing socialist production, meeting the needs of people's material and cultural life and strengthening the industrial and agricultural economic relationship and worker-peasant alliance. The mistakes made over time in neglecting commodity production and commodity exchanges have caused serious damages. Since the convening of the 3d plenary session of the 11th CCP Central Committee, the majority of the theoretical workers in our country have acknowledged that the means of production are also commodities. Socialist commodity production and exchanges exist not only between the two ownerships but also within the ownership by the whole people, and they have played an active role. But commodity production under socialist conditions is not a basic feature of the socialist economy. This is mainly because: first, it is true that a commodity relationship is a necessary form of contact among socialist economic sectors but it no longer represents the general form and main feature of the socialist economy. Under a capitalist system, the labor force belongs to commodities while the commodity relationship is the general form and major feature of the capitalist economic relationship. Under the

socialist system, the labor force is not a commodity, while land, mines and enterprises are no longer targets of selling and buying. What is more important, socialist labor has a direct social feature while the relationship of the socialist economy is mainly and directly defined by planning; this relationship accords with social needs and has certain proportions. Planning is a good form and main feature of socialist economy. Under the present conditions in our country, the degree of our policy is not high enough, but it has played a decisive role in the production and exchange of major industrial and agricultural products. Second, the socialist relationship of production is the relationship of comradely mutual cooperation; it is because the laborers who have possessed the means of production have become the masters of these means. Of course, any commodity production always shows the relationship of production among the producers of certain commodities and there is no exception with socialist commodity production. What is the production relationship of the socialist commodity production? Our opinion is that it is mainly the relationship of exchanges of equal value or equality and mutual benefit among socialist enterprises. This relationship of equality and mutual benefit stems from the fact that socialist enterprises are comparatively independent with comparatively independent economic interest. The interest of the enterprises can only be guaranteed through exchanges of equal value. Therefore, the relationship shown in commodity production is closely related to the existence of differences in the interest of the state, the collective and individuals. It is important to correctly understand and handle such a relationship of equality and mutual benefit but this relationship represents an important side of the relationship of socialist production while equality is not an important aspect. This is because socialist relationships of comradely mutual cooperation represents the relationship of the common interest of the laborers. The nature of the relationship of the laborers' material interest which plays a decisive role is in accord with the basic interest of these laborers. Without the common interest of laborers or state interest, there would be no interest of enterprises or interest of individual laborers. Therefore the difference of interests among the state, the collective and individuals is based on the agreement of interest among laborers and it is of secondary interest. Consideration must be given to the interest of these three aspects by giving first consideration to the interest of the whole nation. When there are contradictions among state, collective and individual interests, partial interest must be subordinated to the whole interest, provisional interest to long-range interest and individual interest to collective interest. As such contradictions can be effectively regulated only by relying on planned economy. It is difficult to give consideration to the interest of the three aspects by solely relying on commodity relationship. For example, when enterprises decide their production according to market supply and demand, they will carry out production in a big way when there is big profit and in a small way when there is little profit. But when taking the whole situation into account, this practice is sometimes very harmful. For example, many places now have set up small cigarette factories and overall these factories may have economic effects. But because of their existence, modern cigarette factories have consequently been operating under

capacity because they do not have enough raw materials and when society's needs are taken into account, this situation means a big waste. Therefore, it can be seen that commodity production is not a feature of socialist economy.

Under the conditions of commodity production and commodity exchanges, the law of value plays a regulating role in production. But the basic orientation of the development of socialist society is decided by basic socialist economic law and is mainly realized through the law of planned and proportionate development. Planned regulation is a guiding position in regulating social production while the regulation of socialist production and circulation by the law of value cannot be in a guiding position. We must consciously use planned regulation to serve planned economy.

A Key to Transforming the Economic System is to Handle Well the Relationship Between Planned Economy and Market Regulation

To persist in planned economy as the key to a basic principle is following socialist orientation. Therefore it is imperative to have a unified and ordering that can be carried out in a planned way. If it is just a guiding plan for reference and not the one that must be implemented, then it is not a planned economy. Lenin said: "It is only when construction is carried out according to general big and efforts are made to rationally use economic resources that this construction is called socialist construction."⁴ Of course, we cannot put planned economy in the same category as perceived goals. As the level of our present productive force is not at the same level of the degree of the public ownership of the means of production, the plan therefore cannot include everything. Not only the planned management of the economy with various ownerships must be different, but the management of the state-owned economy must also not be too rigid. Within the scope of state planning, enterprises must be relatively independent and they must be given certain autonomy in production management. The backbone enterprises that are related to the state economic lifeline and major products that are related to the national economy and people's life must be included in state unified planning. Major proportions in the national economy must be put under the strict control of the state so that planned economy will be able to display its guiding role. At the same time, we must make full use of the supplementary role of market regulations, so that the production and circulation of many varieties of small commodities that are difficult to include in the plan can [words indistinct] but within the scope of the plan. Between these two big categories, there may exist two categories of products and enterprises. The first category leans toward carrying out production according to planning while the second category leans toward market regulation; with regard to market regulation, it is necessary to step up planned guidance and market management while the state must fully consider and make full use of the law of value in working out planning.

With regard to regulation the role of the law of value, some comrades often stress the importance of exchanges of equal value and neglect another important aspect of properly making use of the deviation between price and value to guide production, distribution, exchanges and consumption. It is true that value is the objective basis in defining prices, but in order to demonstrate policies for different aspects and regulate production, often we must deviate between price and value. This measure does not violate the law of value; on the contrary, it is a manifestation of consciously following the law. We must understand that value is not only a tool for equal value exchange, but also a lever for distribution and a tool for regulating supply and demand. Under correct planning, either exchange of equal value or deviation between price and value are a necessary form used by people in consciously abiding by the law of value to regulate social production. We must also pay attention to coordinating price with financial distribution, particularly to the lever of tax revenue, and use these two aspects interchangeable. For example, the price of commodities drops because of the encouragement of consumption. Consequently, enterprises must decrease profits to affect the initiative of producers. On the contrary, prices increase because of the limitation of consumption and enterprises will have excessive profits for improvement of management. Under these conditions, measures may be taken to decrease or increase taxes so as to readjust the profits of enterprises and achieve the goal of guiding consumption and regulating production. In addition, under certain conditions, financial subsidy may be given to some enterprises that are losing business and whose products cannot be increased in price so as to promote initiative in production and guarantee the interest of consumers. This measure is an intentional use of the law of value so as to accord with the need of the law of planning.

To handle well the relationship between planned economy and market regulation is a key link in transforming our economic management system and determines whether or not we are carrying out the transformation according to the principle of market economy. The answer is without a doubt the former and not the latter. The "Resolution on certain questions in the history of the party since the founding of the People's Republic of China" of the CCP Central Committee points out: "It is necessary to carry out planned economy on the basis of public ownership and at the same time display the supplementary role of market regulation." We must unifiedly understand the spirit of this resolution. At present, it is necessary to stress the importance of centralized leadership and carrying out economic construction in a planned way and under this premise that we must pay full attention to improving the economic responsibility system and enlivening the whole economy.

FOOTNOTES

1. "Selected Works of Marx and Engels," "Anti-Duhring," Vol 3, p 319.

2. "Selected Works of Lenin," "The Questions of Land and Struggles for Freedom," Vol 10, p 407.
3. "Selected Works of Marx and Engels," "On Authority," Vol 2, p 553.
4. "Collected Works of Lenin," "Speech on the Congress of Soviet Chairmen," Vol 28, p 18.

CSO: 4006/520

FINANCE AND BANKING

RESEARCH OF FINANCIAL METHODS URGED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 8, 19 Apr 82 pp 27-28

[Article by Yang Xitian [2799 1585 1131]: "Researching the Ways of Social Consumption and the 'Three Resources'"]

[Text] Premier Zhao Ziyang [6392 4793 7122] pointed out that, in our nation's economic construction, we must research the methods of acquisition, accumulation and spending, and increase and be frugal in the use of construction funds; and he demanded that banks fully develop their functions of raising funds, stimulating the economy and supporting construction. For banks to foster these functions, it is very necessary that they do penetrating research into social consumption.

First, penetrating study of social consumption will help us to better utilize financial credit to support the development of production and circulation. Social consumption is diverse. When places, economic levels, national conditions, and customs and habits are different, then the structure, level and forms of consumption will be different. Even in a single place, the structure and content of consumption change as the economic level and all aspects of the economy change. If a bank fully understands the structure and content and the trends of social consumption, it can be clear about the direction and focal points of credits and can accurately use loans to support increased industrial production of needed social goods and the buying and selling of needed social merchandise by commercial organizations. As production develops and the circulation of goods and services increases, the needs of the masses will be satisfied and state income will rise, providing a foundation for the accumulation of construction funds.

Secondly, penetrating study of social consumption will help us to use financial credit to the fullest extent and effectively improve the economic results of the credit. In order to support the quickened development of economic construction to the fullest extent, at the same time that banks work hard, as they must, to accumulate funds, they must use every means possible to use the accumulated funds in the most needed areas, using the least amount of money to do the greatest amount of work and achieving the greatest economic effectiveness. And in order to achieve this end, we must do penetrating research on social consumption. For a long time, there was a tendency in our economic construction toward production for production's sake, and banks in

various areas blindly supported industrial production and the purchase and sale of goods that did not suit social needs, and this resulted in a building pressure on the means of production and subsistence and ineffective use of credit and funds, and this in turn increased the imbalance of the national economy. Although the situation has improved in recent years, the problems have not been thoroughly solved. There is still a lot of overstocking of industrial products and commercial goods, which seriously weakens the financial ability of banks to support state construction. In order to bring about a thorough transformation of the situation, we must further strengthen our study of social consumption and get an accurate handle on credit in terms of the actual needs of society. We should support the production and commercial activities of enterprises, but absolutely cannot offer blind support--some must be limited. We must work hard to guard against the overaccumulation and waste of funds and speed up the turnover of funds in order to free funds for needed economic construction. I feel, because of historical experience and the situation concerning the sources and use of present funds by banks, that banks must work more aggressively on methods of using resources. Otherwise, the funds they worked so hard to accumulate little by little will be pressed into "ineffective" or even "harmful" expenditures, and how can that quicken economic development?

Thirdly, penetrating study of social consumption will be of help to us in better acquiring funds for the four modernizations construction. Along with the increase in the incomes of people in both urban and rural areas, the reforms in the economic system and the expansion of the finances of enterprises, there has been an increasing amount of idle funds and funds outside of the budget in society, and the burden on the banks to acquire funds has increased. Study of social consumption is indispensable if we are to do well in this area of work. The work of attracting urban and rural savings especially requires study of social consumption. Because the consumption levels and structures of people of different types and of different social strata are different, their ability to save is also different and the types of saving that they prefer is not the same. Because of changes in the level and structure of consumption, the ability to save from day to day for similar types of people changes. Therefore, studying and analyzing the situation and trends in social consumption better enables us to pinpoint the focus of savings work, establish different savings plans to meet the needs of the masses, carry out targeted savings promotions, make plans for the savings increases and promote the development of savings work. Studying social consumption will not only help us in developing savings with established goals, but will help in carrying out mass political and ideological education work. For several years now the tendencies in society toward concern with cuisine, ostentatiousness, and extravagance and waste have been spreading. By carrying out specially targeted promotions and guiding the masses to be diligent and thrifty and moderate in consumption, not only can we turn a part of the consumption funds into long-term construction funds and speed up material production, but it will be of benefit in changing social tendencies and constructing a spiritual civilization.

Fourthly, penetrating study of social consumption will help us to attain a comprehensive balance between finances, credit, goods and materials and foreign exchange, and to stabilize the currency and the economy. This is one of the necessary conditions for doing well in accumulating, acquiring and using funds. Doing well in achieving a balance between finances, credit, goods and materials and foreign exchange requires work in a number of areas, an extremely important one of which is achieving a balance in the supply and demand of the means of subsistence. This requires a penetrating study of social consumption. The banks are a comprehensive department of the economy. We can use their special characteristics of wide contact and sensitivity and through analysis of the currency they put into and take out of circulation jointly study the changing status and trends in the balance of purchase and sales of goods, make suggestions for handling markets and adjusting currency flows and speed up and harmonize joint work in each area, which will be useful in maintaining "stability."

To summarize the above, study of social consumption is very important. The study of social consumption must be carried out on both macro and micro-levels. We must strengthen our analysis of the formation of social purchasing power and the accounting of the supply of social goods. We must not take accounts only once a year, but should carry out accounting research at seasonal intervals or regular stages during the year, to keep tabs on the overall scope, trends, conditions and problems concerning social consumption. This will help us raise ideas and suggestions to hasten balance. We must strengthen analysis of the developments in industrial and commercial production and marketing and do well in the work of obtaining economic information such as product and market forecasts. We must seriously analyze survey materials concerning the income and expenditures of employees, residents and rural commune members, research the structure, levels, and the changes in their consumption and the trends in their purchasing power, both in overall terms and in terms of individual social strata, understand the opinions of the masses in regard to all aspects of the supply of social goods and credit activities, and provide a basis for the study of the support of industrial production and commercial activities by banks.

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FINANCE AND BANKING

BRIEFS

GANSU TREASURY BONDS--As of mid-June, Gansu Province subscribed to 52.82 million yuan of the 1982 treasury bonds, 92.7 percent of the annual target. By the end of May, Lanzhou Municipality subscribed to 1.56 million yuan of treasury bonds, overfulfilling the target by 24 percent. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 4 Jul 82]

NEI MONGGOL LEAGUE SAVINGS--Following the implementation of various economic policies, people in Ju Ud League in Nei Monggol have increased their income and improved their livelihood. The accumulative total of the savings of urban residents in the league in the first 5 months of 1982 was 53.28 million yuan, a record. With this increased income, people can buy more high-grade goods. From January to April, sales of televisions and leather shoes increased 280 percent and 42.1 percent over those of the corresponding 1981 period. The league planned to supply to the market 39,000 bicycles and 33,000 sewing machines this year, 32.1 percent and 19 percent more than in 1981. The supply of cotton cloth, knitting wool and wristwatches will also increase. [SK040732 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Jul 82]

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INDUSTRY

EXPANDED REPRODUCTION BY INTENSION IN SHANGHAI

HK140433 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 82 pp 22-27

[Article by Chen Minzhi [7115 2404 0037] and Huang Zhenyu [7806 6297 3842] of the Shanghai Academy of Social Sciences: "Take the Intensive Approach Mode to Enlarge Reproduction as Seen From the Development of Industry in Shanghai"]

[Text] I. Relatively Rapid Development of Industry in Shanghai Over the Past 30 Years and Good Economic Results Achieved

In his "Report on Government Work," Comrade Zhao Zhiyang said: "In our discussions on economic problems hereafter, we should take as the basic starting point how to upgrade the economic effect, so as to develop our national economy in a prolonged and sustained manner." He further pointed out: "Compared with 1952, the year of the completion of the national economic recovery, the gross output value of industry and agriculture in 1980 had increased by 810 percent, the national income, by 420 percent, and the value of the fixed assets of industry, by 2,600 percent." This revealed that the latent production capacity of the industrial fixed assets accumulated over nearly 30 years in the past had not fully displayed its role and that objective conditions do exist now, and for a certain period hereafter, for industry in our country to depend for its development on expanded reproduction by intension to achieve the objectives of raising the gross output value of industry and increasing the national income. It may be pointed out that in this connection, the experiences in the development of industry in Shanghai since the founding of the PRC may be of certain reference value to our national economy now in the process of readjustment. The aim of this article is to attempt a further elucidation on this point.

The industry bequeathed by the old society to Shanghai had an extremely feeble foundation. It had insufficient departments, depended for its sustenance on imperialism and in general suffered from lopsided development. Among its few industrial departments, the light and textile industries were the mainstay and accounted for 76 percent on the gross industrial output value of the entire municipality. The development of heavy industry was at a rather low level, so much so that it could be ignored altogether. The yearly steel output of its metallurgical industry was less than 5,000 tons. The capacity of its machine-building industry was confined to

repairing and the making of parts. Basically speaking, it could not turn out any complete equipment. It had no chemical industry and had to depend on importing from foreign countries the important raw materials it needed such as rolled steel, chemical products, and even cotton and paper pulp. In the early period of liberation, the total output value of the metallurgical, electrical-machinery and chemical industries of the municipality was less than 100 million yuan.

Following 30 years of construction, the appearance of Shanghai's industry has been basically changed. The production capacity of the metallurgical industry has developed from originally producing less than 5,000 tons of steel and an output value of less than 30 million yuan a year to the gigantic scale now of producing annually 5 million tons of steel, 4 million tons of steel products, 60,000 tons of electrolytic copper, and 80,000 tons of processed nonferrous materials. Its products are mainly of the medium-size and small types and a rather comprehensive assortment of varieties is available. At present, it can turn out some 1,200 varieties of steel products with over 22,000 specifications, and some 1,300 varieties of nonferrous metallic products with some 37,000 specifications. The metallurgical industry made full utilization of the extremely backward production equipment of the over 800 small plants and small workshops which had existed separately during the initial period of liberation. Its total investments consisted of 1.02 billion yuan (1.52 billion yuan including the Meishan Plant) in capital construction investment and 1.21 billion yuan (1.27 billion yuan including Meishan) in investment on technological measures (totalling 2.23 billion yuan, or 2.79 billion yuan including Meishan). At present, the original value of the fixed assets of Shanghai's metallurgical system is a little over 1.85 billion yuan but over the past 31 years, the system's remittances of profits and taxes to the state was about 10 times this figure.

Originally, the machine-building industry could only attend to repairing and making parts. Now it has developed to the stage of having over 60,000 sets of machine tools in operation and being able to produce complete equipment such as heavy industrial equipment and machinery for power generating stations, metallurgical plants, mines and chemical factories. Now, it is also capable of producing motor vehicles, tractors and various kinds of machine tools. In addition, it can produce various kinds of machinery and equipment for the printing, rubber and food industries as well as for industry in general. Since 1956, it has set up its own electronics and precision-instrument industries. In 1979, the gross output value of the machine-building industry was 6.3 billion yuan. Its profit remittance to the state was 1.73 billion yuan while the original value of its fixed assets was below 50 percent of its gross output value. Over the 25-year period from 1956 to 1980, the capital construction investments on the electronics and the precision-instrument industries amounted to only 2.8 percent of their remittances of profits and taxes to the state during the same period. In other words, their remittances and taxes to the state were nearly 40 times their aggregate investments.

Before liberation, the daily production capacity of the chemical industry was only 10 tons of sulfuric acid and 2 tons of caustic soda a day. It has since developed to one of our country's important bases of chemical raw materials embracing 18 new and developing industries including the petro-chemical industry, with some 2,400 varieties of products and over 20,000 specifications. Its annual output of chemical materials is over 1 million tons. The capital construction investments made by the state amounted to only 1.42 billion yuan while the investments on the relevant technological facilities were less than 1 billion yuan. Altogether, the total investments were about 2.4 billion yuan, but the profits and taxes it has remitted to the state amounted to over 30 billion yuan.

At present, Shanghai's light industry embraces some 13 branches or trades producing bicycles, sewing machines, timepieces, food products, daily-use chemical products, enamelware, thermos bottles, glasswares, home-use electrical appliances, and so on. A large number of these products, such as bicycles, watches, sewing machines and home-use electrical appliances could not formerly be produced by our country. Over the past 32 years, Shanghai's light industry has contributed over 30 billion yuan to the state accumulations funds, but during the same period, the construction investment funds appropriated by the state amounted to only 1.6 percent of the total accumulations contributed. In 1981, the gross value of its output was 7.5 billion yuan, equivalent to 500 percent the original value of the fixed assets and exactly 1,000 percent of the new value of the fixed assets.

Shanghai's textile industry has a history of over 100 years and is an industry with a relatively firm foundation. Over the past 32 years, while the principal production equipment has somewhat reduced, the profits and taxes it remitted to the state have been on the uptrend, in fact showing a rather large increase. By 1980, compared with 1949, the number of spindles had decreased by 16 percent, and the number of cloth-weaving machines decreased by 10 percent, 88 of its mills had been transferred to 26 neighbouring provinces and municipalities in the country while some 25,000 square meters of plant premises in 8 of its mills had been vacated for use by the new and developing industrial departments including the electronics plants. Its gross output value that year amounted to over 13 billion yuan. Over the past 31 years, Shanghai's textile industry has remitted to the state profits and taxes amounting to over 50 billion yuan but the investments in it by the state (including funds for technical equipment and loans) amounted to only 1.6 percent of the total amount of remittances of profits and taxes. This situation was somewhat similar to that of light industry.

Summing up the situation of the several major industrial departments in Shanghai, it is not difficult to reach the following observation: Shanghai's industries, not only the light and textile industries but also the heavy industry, were given relatively little investments from the state but still managed to achieve a relatively high economic effect. The output value realized from each 100 yuan of fixed assets of the enterprises under the system of ownership by the whole people is 180 percent higher in Shanghai

than in the rest of the country, while the amount of profits and taxes generated from each 100 yuan of fixed assets is higher in Shanghai by 250 percent. These figures speak eloquently of the good situation. Naturally, compared with certain advanced countries in the world, Shanghai is still very much behind. Even in our country, there are still many provinces and municipalities whose products, industries and trade surpass Shanghai in production technique, quality of the products and general performance.

If we examine the situation from another angle, that is to say, if we look at the percentage composition, in the gross national figures, of Shanghai's capital construction in industry, the fixed assets of its industry, its gross value of industrial output and the amount of remittances of profits and taxes to the state, we shall find that they are respectively as follows: 2.4 percent, 3.95 percent, 12.5 percent and 16.67 percent. Thus, we come to the same conclusion that relatively speaking Shanghai's industry received less investments but produced better economic effects.

II. The Course of Shanghai's Industrial Development and the Experiences Gained in Upgrading the Economic Effect

Over the past 32 years, Shanghai has developed from being a city whose industry had an extremely weak material and technological foundation, was lacking in many departments and was greatly dependent on the support of imperialism, to being a comprehensive industrial base area which possesses a definite material and technological foundation and a fairly complete assortment of industrial departments and which can turn out fairly well complete equipment. How has this been brought about?

First, in combination with instituting changes in the system of ownership of the means of production and in production relations, Shanghai's industry adopted the principle of specialized coordination and carried out a series of reorganization and reform each with its special features, in order gradually to rationalize the industrial structure, the structure of the trades, and the structure of the organizational units. As a result, its industrial production has been greatly raised.

Shanghai's industry went through several large-scale reorganizations. The first one took place after the institution of the system of joint state-private ownership and management of the industries and trades, in combination with the reform of the system of ownership of the means of production. The second one took place after the "Great Leap Forward" in 1958. The third one was during the 3-year readjustment period. These three stages of reorganization all faced different and concrete historical conditions and background and therefore were each imbued with their own special features and points of emphasis. For example, in the first reorganization, emphasis was laid on initially improving the situation left behind by the old society such as the confusion in geographical distribution, redundancy in the kinds of products and backward technology. This was done by means of "combing" the disarrayed factors and making the industries and trades "recover their

old selves." In the second reorganization, the principal feature was the establishment of a number of large-scale backbone industries. In addition, certain new and developing industrial departments urgently needed at the time were established. In this way, a preliminary material and technological foundation was laid for the purpose of modernization construction and a foundation was also laid for a more rapid development of the economy in the future. As a result of the reorganization, the number of enterprises was further reduced by 21 percent compared with 1957. In the third reorganization which was carried out during the 3-year readjustment period, the principal features consisted of strengthening the light industry, the raw materials industries and the industries rendering aid to agriculture so as to improve the proportionate relationships within industry itself. Additionally, a number of enterprises were closed, suspended, merged or shifted to other production lines (comprising roughly 20 percent of the enterprises under the system of ownership by the whole people). The enterprises affected were those which had suffered from the drawbacks of overproduction, outdated and backward equipment, poor quality of products, and high consumption rate of raw materials and energy. They were shifted to the production of those products which were urgently needed by the state and were made to help the development of the new and developing industries such as electronics, precision instruments, wristwatches, cameras, plastic products and others.

These three reorganizations had their dissimilar features but had a particularly similar feature and this was the organization of production according to the principle of specialized coordination. These measures taken were found to have produced noteworthy results such as raising the level of specialized technology and the quality of the products, strengthening the capacity to form complete equipment and improving the geographical distribution of the production units. For example, in the past, industries producing bicycles, timepieces and sewing machines in Shanghai used to consist of several hundred small plants. Now, several initially well-organized production "blocs" have been formed of which there were 7 for bicycles, 6 for sewing machines, 7 for wristwatches, and 4 for ordinary timepieces. Among their 71 plants at present, 18 are general assembly plants and 51 are coordinating plants producing the necessary accessories. Altogether they make up over 90 percent of the total number of plants. The 3 industries have thus separately formed their own production systems ranging from processing of the raw materials, making of tools and models, production and processing of parts and the final assembling of the products. Inside their respective "blocs," the general assembling plants carries out division of work among themselves. They promote the adoption of new technology and thereby increase the production capacity to a great extent. A similar situation prevails in other industries and trades.

Many of the enterprises devoted their efforts to improving the management and control level along with the reorganization work in progress. Among such factors as manpower, finance, materials, supplies, production, marketing, economics, technology and the quality of the products, the improvement of management and control was concentrated in grasping well manpower and the

material resources. In the 1950's and the 1960's, a number of large state-operated enterprises strengthened their "quota control" system and this helped in generally improving the management and control level. During the 10-years of disturbances, many good management and control systems were destroyed. However, commencing in 1978, efforts were made to restore management and control to good order. The 3-grade accounting and auditing system and the control of funds were augmented. All round quality control was enforced. Technological and trial production points were strengthened, thus improving the technological service work. In addition, the advanced level in the country was compared with that in foreign countries so as to learn from the differences, while plans were laid for improving the quality of the products and a sound "quota control" system was installed. In 1980, Shanghai turned its attention to strengthening control and practising economy in energy consumption. It promoted the use of new techniques in energy saving. As a result, the energy consumption rate was reduced by 14.7 percent per every 100 million yuans' worth of the gross industrial output value. In regard to the quality of the products, of the 645 "pivotal" products of the municipality, only 40 percent used to be able to maintain the highest level in history, but since the smashing of the "gang of four," and grasping the work of readjusting the technological foundation of the enterprises, the quality of the great majority of products recovered to the highest level in history.

Second, continuous technical renovating and restructuring has been carried out in varying forms and channels in conformity with the local conditions. Fairly good economic effect has been achieved. The measures undertaken were as follows:

(1) Rebuilding of the originally antiquated equipment and raising the technological capacity of the equipment. For example, the spinning frames of Shanghai's textile industry used to be antiquated but because of technically rebuilding and improving the pivotal spindles, the average per hour production volume of every 1,000 spindles was gradually raised from only 18 kgs after liberation to 45 kgs and above at present. At the same time, the equipment for the pre-weaving processing of cotton was rebuilt. This gave birth to a brand new weaving technique of fine yarn with our country's special characteristics of "high wheel speed, medium shaping and large drafting." The per-unit output of the spindles was one-third higher than that in foreign countries while the electric power consumption per yarn was lower by two-thirds compared with that abroad. This precisely fitted in with the national conditions in our country of the shortage in capital funds, the tense fuel situation, and the abundance of labor power. At present, the number of spindles and of weaving machines in the municipality has been reduced respectively by one-third and one-fifth compared with the pre-liberation period. Yet, despite these reductions, the output of cotton yarn has been increased by 160 percent, that of cotton cloth by 100 percent and the output value of the textile industry as a whole, by 500 percent.

(2) Reforming the production technique and raising the economic effect. Many of the important reforms in production technique in Shanghai grew from small beginnings and were undertaken initially by the masses. This procedure cost little money but reaped quick results. For example, mention may be made of such measures as simplifying the work procedure, effecting motion improvement, shortening the production period, improving the quality of the products, reducing the per unit consumption of raw materials and fuels, and producing more and better products with the same amount of raw materials and fuels. All these measures basically incurred no increased outlay of accumulation funds or increase in the circulating funds but they still managed to expand the scale of production.

The output volume of the Shanghai sewing machine plant remained at around 300,000 units a year from 1973 to 1976. The principal "bottleneck" at the time was in the two "links" of lacquer-baking and parts assembling. In 1977, these two procedures were technically improved. Forthwith the output that year rose to over 410,000 machines, while in 1980 it went up to 540,000 machines. In the production of colored films at the sensitized materials plant, ingredients had to be applied in over 10 coatings and using the old production technique could hardly increase the output. However, the successful introduction of a new technology whereby one coating could produce the desired effect of a number of coatings (3 to 6), the production efficiency rate was enhanced by 300 to 400 percent, in addition to reducing the consumption of silver by 50 percent. Also, in the machine-building sector, notable results have been achieved from the use of a new punching and cutting technology in lieu of the old method of using clumsy tools such as the iron hammer, or sledge hammer, or the foot-pedalled lathe and also from the use of such new technology as cooling, squeezing and pressing which eliminates the punching and cutting processes.

(3) Increasing the depth and precision of processing and changing the structure of the products. Science and production join hands with each other but science proceeds ahead of production. In this way, the products are continuously upgraded, the varieties form complete sets and high-grade products are turned out by using ordinary raw materials, and in this way it provides the market with rich and splendid products. Take the textile industry for example. In the 1950's, when cotton textiles were the main products, work had already started on developing polyester products. By the time of the 1960's when there was a large output of polyester fibre products, attention was turned to the development of long fibre textiles and medium-long fibre textiles. Next, imitation-woollen textiles and knitted polyester fibre coats were produced following which studies were made on the development of such new products as low-elasticity long-fibre polyester imitation-wool or imitation-silk fabrics as well as other high-grade woollen textiles. As another example, take the development trend of making light-metal multiple-use sewing machines which are automated and electronic, and of making television sets which are colored, have all frequency channels and have integrated circuits.

(4) Combining together the comprehensive utilization of resources and the comprehensive handling of the "3-wastes." Strengthening the comprehensive utilization of resources and changing wastes into treasures represent an important road to enriching society and basically improving the ecosystem and environment of the cities and towns. Shanghai's timber supply has always been in a tense state but the development of medium-density fibre-board and the flat boards from shavings has greatly raised the timber utilization rate in furniture making. The Shanghai pharmaceuticals experimentation plant installed two "waste gas" steam boilers making use of the heat generated in the chemical reaction in the manufacturing of formaldehyde. This is estimated to save roughly 3,990 tons of fuels a year. A large quantity of metallic materials was reported to have been retrieved by the Shanghai electroplating plant from the use of a new technology of treating waste water. Plants producing sewing machines successfully tried out the method of using the remnant materials of bicycle plants to make the shuttles of sewing machines. This obviously benefited both parties concerned. The subordinate units of the Shanghai Metallurgical Bureau had 29 oil-burning heating furnaces for steel rolling. Through transforming and rebuilding the furnace bodies, reducing heat-dissemination from the furnace walls and increasing the temperature of the heated air, the oil consumption rate was sharply reduced. It is estimated that over the past 3 years, savings of some 225,000 tons of oil have been effected.

(5) Paying close attention to the absorption of the advanced technology of foreign countries, "digesting" them and making new creations therefrom, thus promoting the modernization of the existing plants. Since the founding of the PRC, the light industry bureau has imported from abroad some 1,058 sets of various kinds of electrical machinery equipment. Relatively good results have been attained by studying, using, remaking and improving them and promoting their use. Some of them were pivotal equipment intended to overcome the weak links in the plants concerned; some were for the purpose of speeding up the progress of the new and developing industries and trades; and some served the purposes of improving the variety and quality of the products so as to increase their power in competition. The Shanghai toothpaste plant imported from abroad a 3-color printing press. Over the past 10 years, as a result of the imitation, improvement and creation work done, it has succeeded in setting up 10 automatic production lines for toothpaste soft tubes and several automated toothpaste packing lines. The degree of automation in the entire plant reached over 80 percent. Its annual output volume increased from 82 million tubes to 166 million tubes and profits rose from over 9 million yuan to over 33 million yuan a year. Also, take the case of the importation of the "6-serial" welding machines by the Shanghai electric welding machinery plant. Compared with the former products of the same type, the DN3-100 type, the imported machines commanded such advantages as welding over a much wider area, being convenient for use, savings of over 50 percent in electric power consumption, no pre-heating, a quick start, and devoid of operation noises. At the same time, their body weight and size were only one-quarter of those of the old products while the production cost was 50.7 percent of that of the old products. In this

way, the marketing price is one-fifth lower than that of the old products while profits are 33.8 percent higher.

Third, making full use of the original technology and experiences and laying stress on technical training in order to improve the quality of the staff and workers.

In the estimation of the Marxists, among the various factors of the productive forces, man is the most active and the most important factor. Before liberation, Shanghai's industry had an extremely weak foundation but historically it already had over 100 years of development. Both in technology and in management and operation it had accumulated a relatively vast collection of experiences and knowledge and the working class was the first to take over the handling and use of these technologies and experiences. Hence, once the working class became the masters of our country and society, naturally they played an important role in economic development.

The development of modern science and technology and the increase of their role in production have naturally raised the level of the demand on the quality of the workers. Expanded reproduction by intension likewise demands that workers must possess suitable quality and talents. The basic road to raising the standard of the workers is to stress their technical training. One of the important reasons why certain plants in Shanghai have developed relatively swiftly is that for a long time they have paid close attention to technical training and to manpower development. They have set up and perfected various kinds of scientific and technological research bodies. They have formed specialized training courses and organized various kinds of technical discussion and emulation activities. In this way, they have formed a contingent of scientific research and technological workers closely allied to the development of production. In 1981, in Shanghai the number of engineering and technical personnel in the enterprises under the system of ownership by the whole people was 4.2 percent of the entire number of staff and workers of the city. Compared with the 2.8 percent for the country as a whole, this was higher by 1.4 percent. The Shanghai bicycle plant organized various forms of technical training classes and trained up some 300 engineering and technical personnel. This number represented 75 percent of the total number of technical personnel employed by the company. They played a very important role in the development of the bicycle industry over the past 20 years. Notable results have been achieved.

III. In Expanded Reproduction By Intension, Stress Should Be Laid On Renewal of Equipment and Fixed Assets

Marx said that despite the lack of accumulation, a given amount of funds can still expand its scale of production within a certain limit. In our observation, since the founding of the PRC, Shanghai's industrial development has basically taken the intensive approach and has taken the road of expanded reproduction by intension. Over the past 32 years, although Shanghai's industry has undertaken a certain amount of capital construction and has set

up certain new and developing industries, yet of the entire amount of increased output value of industry, roughly 75 percent has been derived from tapping latent potential renovating and restructuring.

However, taking the road of expanded reproduction by intension presupposes that there is a definite material and technological foundation. Tapping latent potential must in the end reach a certain limit and become futile but in the reproduction process, the supply of materials and labor must be on time and must be duly replenished or compensated, otherwise expanding reproduction will simply be empty talk.

The road taken by Shanghai has produced notable results, but there are still certain deficiencies. The main fault is that the strategy for development has not been exactly clear and comprehensive planning has been lacking. At the same time the planning element is not strong enough, and there is a state of no awareness or only semi-awareness. Frequently, the initial concern is with individual production units and individual industries, trades and enterprises. Local limitations are rather overriding and the superiority of the socialized production system of socialism has not been brought into full play. Moreover, for many years, due to the "leftist" influence on the guiding thought over production and construction, production received priority consideration while consumption was lightly regarded. At the same time, emphasis was laid on new building and expanding construction while the renewal of equipment and restructuring were neglected. Certain departments have overdone the tapping of latent potential, so much so that further tapping would be futile. Consequently, it is extremely difficult to maintain a steady growth rate in industrial production, adopt new technology, improve product quality, or to renew or replace the existing and old equipment. This has also somewhat impeded urban restructuring.

First of all, in expanding reproduction, the "priority" and "pivotal" industries and trades (such as industries producing the means of production) have laid stress on extensively increasing their capital investments, equipment and personnel, and on setting up new establishments and new plants, while the role of the intensive factors has been neglected. As for industries and trades which do not enjoy and priority of are not "pivotal" (such as certain industries and trades producing consumer goods), despite their close connection to the people's life, each year the targets for increased production are duly fixed but the capital construction investment is reduced. The more the industries and trades devote their efforts to tapping latent potential, renovating and restructuring and to achieving a good economic effect, the less investment they receive. Utterly exhausted, many of the old enterprises have found it hard to maintain even simple reproduction. In reality, they have steadily consumed their equipment and assets and made no replenishment. Generally speaking, the work of tapping potential, renovating and restructuring in the light industry in Shanghai has gone through the following stages: the first stage (in about 1954-1955) may be called the stage of organizing and mobilizing the latent potential. In this stage, principally through reorganizing, rebuilding and "putting the disarrayed

units in order," a production system emerged which, following internal readjustments made in the industrial units, helped to achieve an increase in production. This was the time when the foundation was laid for the 10 new and developing trades (these 10 developing trades and industries produce the following commodities: synthetic splices, industrial sewing machines, industrial enamelware, wristwatches, sensitive films, cameras, newly developed silicate materials, synthetic detergents, computers and paper for industrial use). The stage that followed was that of "filling the gaps and fully tapping the latent potentials" (about prior to 1969). During this stage, all that was needed was just to spend a little money, or apply a little fertilizer, or strengthen a few weak links, and production would rise rapidly. In particular, during the period of the first economic readjustment and after the implementation of the 8-character policy but before the "10 years' turmoil," production went up every year. However, by the time of the third stage, what happened was just the hard tapping of potentials (from 1970 to the beginning of 1971). During this period, the method of "filling the gaps and replenishing" could produce no more results. Many of the plants had the feeling of being "fed up," "overloaded," or "utterly exhausted." For example, most of the equipment of the cigarette plants were British-made, dated around the 1920's and 1930's; the great proportion of the equipment of the match factories were products of the 1930's; of the stamping-machine equipment, roughly 31 percent were products of the 1930's; and of the equipment for papermaking, 72 percent were products of the 1950's. The 25 food-product plants of the municipality have contributed accumulations to the state amounting to over 10 billion yuan over the past 30 years, but the bottling equipment for beer and for aerated water are still products of the 1920's. Some of the biscuit-making machines were of the 1930's. Even in the case of the Shanghai wristwatch plant which was built in the 1950's and up to now has contributed to the state taxes and profits amounting to 5 billion yuan, much of its equipment is kept working for 3 shifts in succession. Actually, they have exceeded their useful service life by 200 percent. In consequence, the degree of precision has declined while the number of waste products has increased.

Second, even inside the "priority" or "pivotal" trades, contradictions are still found. They have spent very little capital funds on the renewal of equipment and restructuring of the old enterprises. In 1979, of the total funds spent, those earmarked for the renewal of equipment amounted to only 11 percent, whereas the capital construction investment was mostly concentrated in a certain number of backbone enterprises. Hence, even among certain "pivotal" and "priority" industries and trades, there are still such serious problems as the antiquated and backward state of their production equipment and technology and their weakness, technologically speaking. Take for example the Shanghai Electrical Machinery No 1 Bureau. Within the entire bureau, serious disproportion exists between such factors as hot and cold processing, the main machinery and its accessories, science and technology and production, and production and life. Between the "three wastes" of its enterprises and the residents, a contradiction has likewise developed. Currently, the bureau has some 600,000 square meters of old

and dilapidated premises and premises of a simple structure and some 100,000 square meters of "dangerous" buildings which cannot be rebuilt or repaired in time. In addition, it has a large number of antiquated and backward equipment which needs to be renewed, while the low standard of living of its staff and workers is still an outstanding factor.

Third, replenishing and increasing the fixed assets have been inconsistent with the expanded reproduction of products. For more than 30 years, the fixed assets and equipment of the municipality have increased by only 104 percent, much lower than the increase of 2,434 percent in the gross value of its industrial output and the increase of 580 percent in the labor productivity of the entire workforce. This illustrates, on the one hand, that to a certain extent the increase in output value has been derived from "extension within the municipality" and "extension within the enterprises." On the other hand, it shows that the investments, limited as they were, that were really used on the renewal of the equipment of the enterprises and on technical restructuring have been exceptionally few. All this is principally demonstrated in the slow renewal of the fixed assets. Over the years, the ratio of the original value occupied by the new value of the fixed assets of the industrial units under the system of ownership by the whole people in Shanghai was as follows: 1949, 67.9 percent; 1952, 66.1 percent; and 1957, 58.4 percent. In the 3 years after 1958, due to the addition of newly increased fixed assets of over 2 billion yuan, the ratio rose to 75.1 percent in 1960, but subsequently was on the downward trend again. In 1962, it was 67.5 percent; in 1965, 65.2 percent; and it dropped to 57.8 percent in 1976. In 1978, as a result of the completion and putting into operation of the Jinshan petrochemical plant, the ratio rose once more to 61.5 percent. It was 61.3 percent in 1979. Compared with 1965 before the 10 years' disturbance, this was a drop of 3.9 percent and was a drop of 6.6 percent compared with 1949. If we take into account the increases in the fixed assets on account of the new capital construction completed, then a much heavier fall would have been recorded. This about illustrates that the renewal of the fixed assets has been an extremely slow process and in fact has stagnated. Naturally, this prevents the adoption of new technology and in turn hinders the increase and development of the productive force of industry. It is an error in economic strategy.

Finally, due to the lack of a unified plan for the entire municipality, each industry and trade has been doing its own work of tapping potential, renovating and restructuring. No consideration has been given to the demands for a rational geographical distribution of industry or for municipal construction. The proportion between the "bones" and the "meat" is thus seriously unbalanced, while little has been done to improve the standard of living of the people. A scarcity of plant premises persists. This has worsened the laboring conditions. The poor environment of the city has badly affected the life of the populace. Traffic congestion is much in evidence in the streets while traffic accidents are frequent occurrences. Many of the plants are devoid of any welfare provisions for their employees. Some people used to have some welfare provisions, though of a very rudimentary

sort, but most of them were subsequently laid aside on account of the need to develop production. Such a situation has badly affected the reproduction of labor power and the improvement of the social environment.

Science has ordained that the dependence on expanded reproduction by intension must objectively be subjected to quantitative limitations and to certain specific conditions. This cannot be changed by the subjective wishes of any one person. Simple reproduction is the basis for and the starting point of, the formation of expanded reproduction, while expanded reproduction is a further development on the basis of maintaining simple reproduction. We should correctly handle the dialectical relations of the interdependence between the two and only in so doing can expanded reproduction by intension fully achieve its economic effect.

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INDUSTRY

'JINGJI GUANLI' ON THE FACTORY DIRECTOR APPOINTMENTS

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[Article by Li Li [2621 0500]: "Two Suggestions on the Appointment of Factory-Level Cadres in Large and Medium-Size Enterprises"]

[Text] Editor's Note: The author of this article is the vice general engineer of Yanshan Petrochemical General Corporation and the former factory director and secretary of the party committee of the Xiangyang Chemical Plant. He believes that directors of large and medium-size factories must be people with a university-level education and some actual experience, while the deputy director position should be held by only one person. This opinion comes from his experience of working as a factory director for many years and hits home at the current drawbacks existing in enterprises. In order to change the backwardness of our enterprises and suit them to the modernization construction, this problem must be properly solved. We publish this article for enterprises as a reference in the course of the current overall reorganization. [end editor's note]

In the last 30 years, I have been working as a deputy director or a director in factories. In accordance with my personal experience, here I want to discuss two points on the appointment of factory-level cadres in industrial enterprises:

1. Factory directors without the necessary educational background cannot competently lead modern factories.

After guidelines have been decided upon, cadres are a decisive factor. This is known by every leader and cadre. But there is no easy way to choose a suitable person for a leading position. The key problem is that we have only a few principled standards for choosing cadres, such as the five requirements for cadres or requiring them to have both ability and political integrity, but lack clear requirements on their educational background and lack methods to assess their professional knowledge. As a result, impressions made on senior leaders in charge are the current standards. They can appoint anyone they regard as capable. This is a great drawback in appointing cadres in our enterprises. We should consider this task seriously.

In my opinion, a factory director who manages a modern industrial enterprise, particularly a large or medium-size backbone enterprise, must be a college

graduate or possess equivalent qualifications. At the same time, he must also have several years of hard-working experience and be able to keep abreast of the updates in his field. Only thus can he be competent

From examination abroad, I knew that in factories as large as ours in other countries, even operators have to be high school graduates; qualifications for a factory director are of course much higher. In Romania, a factory director must graduate from a 5-year university. In Japan, only through 17-18 years of work can a college graduate be qualified as a factory director, or a high school graduate with over 20 years of working experience, after passing a series of examinations which prove that he has attained the knowledge level of college graduates, can achieve the qualification to work as a factory director.

According to my experience in factories, a common high school graduate, without having studied professional subjects, even after taking a 5-year course in a sparetetime college, has just attained the level of college students. Obviously, he still cannot undertake the responsibility of leading a modern factory. If a college graduate can completely handle the work in a major workshop after 1 year of on-the-job training and 3 years of actual work, he should be the one above the average. He needs at least another 3-5 years to achieve competence in handling the production of a factory. If he is required to handle the overall management of an enterprise, quite a few years more of working experience are needed. So I believe that a director of a large or medium-size modern factory should at least be a college graduate (or the equivalent) with over 10 years of working experience.

Is it too strict a requirement to demand that a factory director have a college education? I don't think so. This is indispensable to the management of a modern factory. A factory director has to coordinate and control all phases of work. Only when he has a wide scope of knowledge and experience can he take a broad and long-term view to lead the enterprise in continually developing. Moreover, it is not impossible to discover suitable persons in those large and medium-size enterprises.

In the last 30 years, we have cultivated a large number of intellectuals. The majority of them love the motherland and socialism. Many of them have been admitted into the communist party. There is absolutely no need to appoint people who have not received a high school education to be factory directors. This is not a problem of a small number of people, but an important problem concerning the development of socialist economic construction.

If we clearly specify that directors of large and medium-size backbone enterprises must be college graduates with over 10 years of working experience, the main body can thus be consolidated. As for small enterprises where no suitable persons can be found at present, people with a middle educational level can be temporarily appointed to be directors. They should be replaced by people with a higher educational background within a specified time.

2. There are too many deputy directors in enterprises, thus resulting in many maladies.

An overstaffed leading group in an enterprise will bring at least three maladies:

1. Surrounded by many deputy directors and having to maintain a balance between them, the director cannot concentrate on handling business and managing the whole situation.
2. It is easy to shirk responsibility and bring about collisions.
3. It is difficult to exert unified leadership, because too many deputy directors halt proceedings with their differences.

In my opinion, each factory (including large factories) should have only one director and one deputy director. Under them, a few departments are set up and each type of work is supervised by special personnel, so that the director can concentrate on the general policies of managing the enterprise and work in an orderly way.

I am afraid that only in China are there too many deputy directors in the factories. Does this not call for our deep thought? In addition, there were not so many factory directors in the early days of new China as at present. We should not become complacent concerning the actual problems. We should actively solve them. How should those superfluous deputy directors be arranged? In my opinion, those who are old and weak can retire, others should be properly appointed to posts suited to their abilities.

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INDUSTRY

IMPORTANCE OF PRODUCT REFORMS IN AUTOMOBILE INDUSTRY STRESSED

Beijing GUANGMING RIBAO in Chinese 14 May 82 p 3

[Article by Meng Shaonong [1322 1421 6593], member of the Technical Science Department of the Chinese Academy of Sciences and chief engineer of the Second Automobile Manufacturing Plant: "In Technical Reform of the Automobile Industry, Product Improvement Is First"]

[Text] During the period of readjustment, our nation's industry faces the task of technical improvement. In the automobile industry, there is product improvement, there is the improvement of technology and facilities, and there is also the improvement of organization of production and industrial structure, etc. The most important is product improvement.

During the 30 years since founding of the nation, we have created a relatively large-scale automobile industry. But, compared to industrially advanced nations, our nation's automobile industry is still very backward. A low productive efficiency in the factories is one reason, and a low efficiency of utilization of the products is another reason.

Take the First Automobile Manufacturing Plant as an example; the productivity of its entire staff is only 1.2 automobiles per person per year. The automobile produced consumes 5 liters more gasoline per 100 kilometers than the similar but advanced type of vehicle produced in foreign nations.

The loss due to backwardness of the product is not only manifested in the consumption of gasoline, it is also manifested in the time for repairs, accessories, efficiency of transportation, and loss due to stoppage in transportation. In addition, there are accidents, pollution and noise.

In general, the final economic result of our nation's automobile industry urgently needs to be improved.

Whether an industry is successful or not, the bottom line is to look at its final economic result and to look at the result of use of the products after they are sold. The factories and manufacturing equipment are means to realize such results. We cannot discard the means to seek results. But, if we forget the purpose and blindly pursue the means, then, obviously, it is also a mistake. In the past, we frequently committed this type of mistake in developing industry. For example, we were enthusiastic about developing the

automobile industry and were willing to spend a lot of money, but we could not produce good automobiles. As a result, the more factories we built, the greater the loss by the state.

The automobile industry continues to develop forward. The general pattern of development of automobile products of the nations of the world is a small improvement every 3 years, a major improvement every 5 years, and a change of models every 8 to 10 years. In some large automobile manufacturing facilities, frequently, the previous generation products are being produced and improved while the next generation products are being developed and are maturing in the design laboratories, testing laboratories and testing grounds, and their production is being prepared. The third generation products are being gradually shaped in the modeling laboratory, research department, and in people's minds. The automobile factory obtains its progressive vitality from the drawing board, the testing platform and the testing runway.

But, our method of solving the problems of products is repetitive production, imitation, half copying and half designing, and designing products on our own but improving the product after it has begun production. We did not grasp the advanced method of designing. We relied on backward means of testing. Throughout the nation, there is no acceptable vehicle testing ground. Under this situation, how can new automobile products be developed?

We were very enthusiastic towards building plants but we did not pay a lot of attention to the products. We emphasized planning in production. The factories grasped the planned goals, and the state purchased all the products. There was no competition. Therefore, we did not find it necessary to "look for more work" in products. For a long time, our designing personnel's foremost duty was to serve current production--mainly solving the problem of rejected products. Therefore, the more advanced the productive process, the larger the investment in equipment and industrial facilities, the smaller the ability to adapt to change, and the technology thus acquired a greater and greater innate conservatism. We did this for more than 20 years, and suddenly we discovered that the products were seriously backward. When the protection of the "sure livelihood" of the state is abolished, many enterprises will not be able to sell the products, and they will lose their ability to exist. This lesson is very vivid.

It is not easy to solve the problem of backward products. Developing products is a long and complex social process. Developing new products not only requires people and materials, it also needs a definite time. A new car model generally requires 5 to 7 years from its inception on a blank piece of paper to batch production. If the work is not detailed, another 3 years will be needed for improvement after it begins production. In foreign nations, this developmental period is called the advanced period. Because of the advanced period, the leaders in automobile production must be farsighted. They must estimate technological and economic development correctly.

The method of production of automobile factories is mass production. Most of the facilities use automated or semi-automated specialized equipment.

They are also fitted with a lot of equipment of specialized technology. The advantage of this type of equipment is that the productive efficiency is high. Its shortcoming is that the investment is large and a lot of time is needed. And when it is installed, it is very difficult to make changes to adapt to changes in the products. If the selection of the product is not careful, the billions of dollars invested will not produce satisfactory products. But by that time, the log has already become a boat and the situation is very difficult to save. Similarly, if we do not work on the fundamentals of backward products to change them into advanced products, then the investment to improve the facilities and to improve the factories will be wasted.

Viewing the present situation in our nation's automobile industry, we see that the products are backward, the productive efficiency is low, most of the equipment is out-dated and old, and the technical caliber of personnel and the productive discipline are poor. All these need to be improved. But, as described above, improving products is foremost. Only after the products have been fundamentally grasped can industrial improvement be carried out, including specialization and renovation of equipment and factories.

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INDUSTRY

'JINGJI GUANLI' ON DEVELOPING FOOD INDUSTRY

HK200301 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 82 pp 5-7

[Article by Li Zhuoying [2621 0587 5391]: "Energetically Develop the Food Industry in the Course of Economic Readjustment"--passages within slantlines denote boldface as published]

[Text] I

For a fairly long time in the past, the food industry did not occupy its rightful place in the national economy and developed slowly. From 1953 to 1979, the average yearly growth of the total value of China's industrial output was 11.1 percent; the growth of light industry was 9.1 percent; but the growth of the food industry was only 6.4 percent. Moreover, equipment in this industry was obsolete. The food industry has been one of the weakest links in the national economy.

Since the 3rd Plenary Session of the 11th CCP Central Committee, the food industry has been strengthened and has gained the momentum of continued development with more raw materials and funds. To view the output value of the food industry, it was 64.2 billion yuan in 1981 or 12.7 times higher than in 1980, or 35.7 percent more than in 1978 when the economic readjustment had not yet been started. The growth of the food industry has exceeded the growth of industry as a whole. The production of major products in the food industry has achieved a remarkable growth. Taking sugar as an example, as a result of giving play to the advantages of the major producing areas, adopting a series of economic policies, such as associating grain with sugar--guaranteeing that communes and teams are provided with the grain they need when they develop the production of sugar-bearing crops--and reasonably raising purchasing prices for sugar-bearing crops to encourage production, and introducing agricultural production responsibility systems, the production of sugar-bearing crops has increased rapidly. The output of sugar has also increased year after year. Output in 1979-1980 was 2.5 million tons, in 1980-1981 3 million tons, in 1981-1982 3.3 million tons. Taking beer as another example, owing to the loans offered by the state in recent years, the production of beer has developed very fast. By the end of 1981, the capacity for production had attained 1 million tons, while the yearly output was more than 900,000 tons which represents an increase of 100 percent over 1978. In addition, 1981 saw the output of various products in the food industry increase by a fairly

large margin. Compared with 1980, sugar increased by 23.3 percent, beer increased by 32.3 percent, canned food increased by 19.6 percent, wine increased by 41.6 percent, dairy products increased by 25.2 percent and processed grain and oil increased by 11.3 percent. Increases can all be seen markedly in the production of snack food, baby food, beverage, cold drinks and snacks, spices, confectionery and cakes. In the last 3 years, there have been 17 products in the food industry winning gold prizes from the state, 44 products winning silver prizes and a large number of products winning certificates for being high quality products. The makeup of product varieties has been effectively readjusted. Food product hygiene has been improved. The situation that foodstuffs were in short supply for a long time has obviously been straightened out.

II

Although food industry has developed to a certain extent in recent years, there is still a long way to go to attain the due level and to satisfy the needs of the people's livelihood. Under the conditions that the food industry has been in a backward state for a long time, the economic structure has been irrational and the people's livelihood has been seriously affected, developing the food industry with great efforts can help not only supply the people with better food and drink and improve their health, but can also exert great influence on many fields in the national economy.

/1. Developing the food industry can continuously satisfy people's needs for foodstuffs and improve the people's livelihood./ According to statistics, in China, of the total volume of retail sales of consumer goods mainly classified into four categories--foodstuffs, clothing, articles for use and fuels--foodstuffs account for over 50 percent. After deducting the part of grains, the proportion is still about 40 percent. According to typical surveys, the expenditure on foodstuffs generally accounts for about 60 percent of the household expenditure of the workers in urban areas. If the food industry can change its products from nonstaple food to staple food, and supply households, factories, offices, schools and hospitals as well as the tourist trade and catering trade with processed foodstuffs, then, not only material and energy resources and time can be saved, but the broad masses of workers, especially working couples, can be liberated from their burdensome household labor.

/2. Developing the food industry can greatly raise the economic value of agricultural products, so as to yield more foreign exchange./ For example, 5 tons of sugarcane reaped on 1 mu valued at 250 yuan can be used to process 1,000 jin of sugar worth 800 yuan. Four hundred jin of barley reaped on 1 mu valued at 40 yuan can be used to process 1,600 jin of beer worth more than 400 yuan. For another example, our country processes and exports over 80,000 tons of canned mushrooms each year. From that, the peasants can gain 160 million yuan and the state can get more than \$110 million of foreign exchange. Huangyan County of Zhejiang Province plants 8,000 mu of oranges on beaches with an average output of 2,500 jin per mu valued at 700-1,000 yuan. If these oranges are canned, a value of 2,500 yuan per ton can be made. The Yantai area of Shandong Province grows grapes on sandy land with an output of 3,000

jin per mu. When this is used to brew 1 ton of beer, \$800 of foreign exchange can be gained.

/3. Developing the food industry can increase financial income for the state./ The food industry needs small investment but yields quick returns. In general, production can start in 1 or 2 years' time, and some enterprises can yield returns in the same year. Over more than 30 years. the state has invested 4 billion yuan in the major food trades of sugar, salt, cigarettes and wine. In the same period, these trades have turned over 110 billion yuan of taxes and profits to the state. That is 28 times as much as the investment. In terms of taxes and profits turned over to the state per 100 yuan of output value, the average of the industry as a whole was about 21 yuan a few years ago. The average of light industry was 25 yuan, while the average for cigarettes, sugar and wine was 66 yuan, 39 yuan and 35 yuan respectively. At present, taxes and profits turned over to the state by the food industry amount to one-tenth of the total by industry as a whole and account for 9 percent of the state revenue. In addition, each 10,000 tons of sugar and sugar products can withdraw about 40 million yuan of currency from circulation; each 10,000 tons of high-quality wine can withdraw 60 million yuan; and each 10,000 cartons of filter cigarettes can withdraw 20 million yuan. This can do some good to the stability of the market.

/4. Developing the food industry can increase the income of communes, teams and peasants, so as to make the peasants rich./ The dairy industry is developing in Heilongjiang Province with more cows being raised. If each cow can give 4 tons of fresh milk a year, the yearly net income can amount to 1,000 yuan after deducting expenses. Wujia commune, Shuangcheng County in this province raised 1,022 cows which gave 890 tons of milk in 1980. The income from this item was 448,000 yuan, accounting for 11 percent of the total income of this commune. In recent years, many communes, teams and peasants have become rich by developing the production of raw materials for the food industry in a planned and practical way. They say that this is indeed an undertaking that enriches the state, the people and the collectives.

/5. Developing the food industry can increase social employment./ At present, more than 2 million people are employed in the food industry throughout the country. Calculated on the basis of the existing technical level, the production of every 10,000 tons of sugar can directly provide jobs for 1,000 people, the production of 10,000 tons of canned food can provide jobs for 2,500 people and the production of 10,000 tons of alcoholic beverages can provide jobs for 700 people. At the same time, the production of necessary accessories and the utilization of by-products can also create more job opportunities.

/6. Developing the food industry can develop the comprehensive utilization of materials and increase social health./ Take sugar refinement for example, if the output of sugar in 1985 is 4 million tons, then there will be 2 million tons of dry bagasse, 1 million tons of dry sugarcane bran, 500,000 tons of beet dregs and 1.3 million tons of waste molasses with over 50 percent of sugar content. The bagasse and sugarcane bran can be used to make 1 million tons of paper or 2 million tons of fiberboard or over 1 million tons of paper or 2 million tons of fiberboard or over 1 million tons of protein feed.

Preground with other fodder, the 500,000 tons of beet dregs can be used to feed 300,000 cows or 180,000 pigs. The waste molasses can be used to make alcohol, gourmet powder or citric acid. If it is used to make alcohol, the output can amount to 300,000 tons. That is equal to saving 1 million tons of grain.

Although the food industry has developed at a fairly high speed, there are still some problems that need to be instantly solved. They are mainly as follows.

/1. The level of production is low and lags far behind the needs of national economic development and the people's demands./ The output and per capita possession of most products in the food industry are still on the low side compared with other countries. The food industry in developed countries generally takes second place after the machine-building industry among the various industrial branches. The proportion of the food industry in the total industrial output value is 16.4 percent in the United States; 16.6 percent in France; 14.4 percent in England; while it is only 11.4 percent in China now. The food industry only occupies fourth place among the various industrial branches in China. The level of per capita possession is even lower. For example, the possession per capita of sugar in China is 3 kilograms; but that in India is 8 kilograms and in Japan is 30 kilograms. The possession per capita of beer in China is less than 1 kilogram; but that in the Soviet Union is 17 kilograms. The possession per capita of dairy products in China is only a little more than 1 liang. At the same time, the food industry in China can now only supply nonstaple food and cannot really provide staple foodstuffs. This also reflects the backwardness of our food industry.

/2. The management is scattered and the economic results are poor./ Our food industry, due to a multitude of trade in it, is divided and has been subject to the management of more than a dozen departments for a long time. Some trades are under the control of more than one department; while others are not run by any department. The management of production, supply and marketing is also separated. Enterprises are respectively run by provinces, districts, counties, communes and production brigades. Enterprises at different levels cannot be systematically organized. In this case, no effective leadership and management can be exercised. It is a common phenomenon for everyone to do things their own way; development is blindly carried out; there is duplicate construction of factories; raw materials are scrambled for; the small, new and backward factories push aside the big, old and advanced factories; and financial and material resources and existing production capacity cannot be rationally and fully utilized. Thus, this has resulted in great losses and waste. Quite a few enterprises degenerate into chaos in the field of management. Many small enterprises do not even know how to handle management or pay no attention to management. All this has caused poor economic results.

/3. With low technical level and productivity, the economic technical index in most trades is much lower than the international level./ Quite a few trades and enterprises are backward in technology and equipment which remain at the level of the 1940's or 1950's in other countries, with a part only at the level of the 1930's. Mechanization in some enterprises is very low.

Production mainly relies on manual labor there. Factory buildings of most enterprises are in poor condition. Sanitary facilities are not up to the required standard. Many small factories even lack measures and means to test and control quality and food hygiene. Technical forces in many trades are weak. There are even no engineers and technicians who have professional education in some enterprises. In addition, scientific research and education are also far from being suited to the development of production.

III

China is a country with a vast territory and a large population. Different areas have their respective features of natural conditions which are suited to growing some crops or to developing forestry, animal husbandry, sideline occupations and fishery. Our natural conditions are superior and suited to growing all sorts of crops. In China, raw materials for the food industry are abundant and labor resources are also sufficient, added to a vast consumer market for foodstuffs, all this cannot easily be found in other countries. We should make full use of these favorable conditions and further promote our food industry with great efforts, so as to make more contribution to the state.

To sum up the experience, the development of the food industry depends on three factors: policies, management and technology.

/1. Since the food industry is an industry involving processing agricultural products, the development of the food industry cannot be realized without the development of agriculture./ For a long time, the first problem facing the food industry has been the problem of raw materials, which is followed by the problems of shortages of construction funds, materials and equipment. Many trades have not even been included in the state economic plans. To develop the food industry, there should be, first of all, policies for protecting and encouraging the production of raw materials for the food industry, so as to promote the stability and planned development of raw material bases. At the same time, the food industry should be placed in a due position in the industrial construction plans. Policies of actively supporting this industry should be adopted. The practice of making too little investment and even excluding this industry from state plans should be changed. Only when the construction of the food industry is included in plans at all levels, in line with market demands and the feasibility of developing raw material production, can the food industry be ensured of developing.

/2. Doing a good job in the management in the food industry as a whole and individual enterprises is an important link of developing food production more rapidly, economically and satisfactorily./ Economic results will be greatly different depending on how management is handled. An example can be seen in the cigarette industry. In the period 1963-1966, the practice of reforming industrial management and trial-running tobacco companies, though just for a short time, brought very good results. The output and quality steadily improved. Various economic index attained the best levels in history. The distribution of production was rationalized. Innovation and transformation were speeded up. Production potential was tapped and given better play. The

Hangzhou Cigarette Plant is one example of this industry. For a long time, this plant has attached importance to enterprise management. As a result, the economic indexes have continuously been shattered with better ones. The factory has been standing in the leading position all the time. Their productivity is 70 percent higher than the national average. The profit margin on each carton of cigarettes is 43.4 percent higher than the national average. In the period of economic readjustment, by combining intensified centralization and the practice of a flexible economy, the management system of the food industry should be reformed step by step in accordance with the state's general plan. Specialized coordination should be practiced by organizing nationwide or local specialized companies, so as to practice specialized management which closely combines the production of raw materials, industrial processing and product marketing. At the same time, a good job should be done in overall reorganization. Efforts should be made to improve operation and management. The state of scattering, confusion and low productivity should be fundamentally straightened out.

3. It is necessary to improve technology and adopt advanced technology, so as to raise productivity and achieve better economic results. Factories refining sugar from sugarcane can increase capacity by 30-50 percent by speeding up the pressing machines and properly adjusting the balance. This calls for very few funds. By adopting new bacterial strains, alcoholic trade and wine-making industry can increase the alcohol-making rate by 5 percent. Given the present yearly output of white spirit of 2 million tons, by popularizing the new method, an increase of 50,000 tons of spirit can be achieved. That is equivalent to saving 100,000 tons of grain. Therefore, not only should we strengthen scientific work and popularize the fruits of scientific research, but we should also persist in carrying out mass technical innovation and revolution, combining this movement with learning and importing the advanced technology of other countries, so as to speed up the technical transformation of the food industry.

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INDUSTRY

JINGJI GUANLI' REVIEWS HEILONGJIANG FOOD INDUSTRY

HK200626 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 82, p 8-10

[Article by Jia Jingquan [6328 2529 3123], director of the Heilongjiang Light Industry Bureau: "Heilongjiang Province Makes Use of the Resources of the Province to Step Up Development of the Food Industry"--passages within slant-lines denote boldface]

[Text] Heilongjiang Province is located in the northeast border area. There is a vast area of land and grassland. Agriculture and animal husbandry are fairly developed there. This province abounds in grain, beans, potatoes, sugar-bearing crops, wheat, milk and other agricultural and sideline products as well as products native to the mountain areas. There are favorable conditions for developing the food industry. In the past, owing to the "leftist" influence, the food industry in our province could not develop but instead stagnated for a long time. Since the 3d Plenary Session of the 11th CCP Central Committee, by proceeding from reality, giving play to our advantages and overcoming our shortcomings, we have especially stepped up production of sugar, dairy products and wines, hence bringing along the development of the food industry as a whole. In the last 3 years, we have taken three major steps forward and achieved satisfactory results.

/First, production has created historical records./ In 1981, the total output value of the food industry in this province amounted to 1.12 billion yuan, or 470 million yuan more than in 1978, which was 650 million yuan. An increase of 72.6 percent was achieved on this basis. In these 3 years, the average yearly growth was 24.2 percent, exceeding the growth of other light industries. The output of 10 major products all increased by a large margin. Compared with output in 1978, the 1981 output of sugar, dairy products and high-quality liquor increased by more than 100 percent; the output of bear, gourmet powder, alcohol, malt and milk extract and candy increased by nearly 100 percent; cigarettes increased by 20 percent. The three key products--sugar, milk, and wine--all increased by a large margin. Sugar output in 1979 was 170,000 tons; in 1980 was 320,000 tons; and in 1981 was 360,000 tons. Milk product output in 1978 was 8,600 tons; in 1979 was more than 10,000 tons; and in 1981 was 18,200 tons. Output of high quality liquor in 1978 was 3,900 tons and in 1981 amounted to 8,000 tons.

/Second, the quality of products is better than ever before./ The quality of all sorts of foodstuffs has been markedly better, exceeding the index recorded in past assessments. In the last 3 years, 58 brands of products have been graded as high-quality products by the state, the ministry of light industry and the provincial authorities. Among, the Wandashan brand whole milk sweet powder, the Hongmei brand sweet condensed milk and the Shuanggong brand baby milk powder were graded as high-quality products by the state and honored with silver medals. The Honghuang brand sugar, the Hongxing brand whole milk powder, the Shenghong brand liquor, the Hongmei brand wine, the Lingzhi brand filter cigarettes and 10 other products were graded as high-quality products by the ministry of light industry. The Youyi brand white sugar, the China Yuquan wine, the Sunland brand beer, the Hongmei brand canned meat and 45 other products were graded as high-quality products by the province authorities. The makeup of products also changed with the proportion of high and middle-class products. In these 3 years, 580 different new products and new varieties have been trial-produced, and 90 percent have been produced in mass quantities and sold on the market. Some products are systematically developed. For example, some dairy products plants are producing different milk powders for babies, young children, children, pregnant women and elderly people. Some food plants use black carons--a native product--to make wine, juice, jam, candy and drinks. These products have a complete set of varieties which can meet the needs of people of different ages with different preferences.

/Third, the accumulation is greater than ever before./ Under the condition that prices of agricultural and sideline raw materials have been raised but factory prices of foodstuffs have not changed. The profits and taxes turned over to the state by the food industry of this province in 1981 amounted to 310 million yuan with an increase of 28.5 percent over 1978. This amount accounted for 22.1 percent of the province's income. In the 3 years from 1979-1981, the funds accumulated by the food industry of this province were 785 million yuan, 120 percent as much as the value of fixed assets in this industry, which is now 650 million yuan. If the factors that the sugar tax is reduced and some middle and small sugar refineries incurred losses are included in computations, the other part of the food industry accumulated 722 million yuan in the 3 years, 2.8 times as much as the existing value of fixed assets and 4.6 times as much as the investment in the same period.

The rapid development of our province's food industry has brought some remarkable benefits to every field. First, products can meet demands inside the province, and surplus products can be used to aid other provinces and increase exports. Sugar, milk powder, bottled wine and high quality cigarettes were once rationed for many years. In 1980, the rationing of these goods was lifted in this province. At the same time, the goods are also used to aid other provinces throughout the country. In these 3 years, dairy products transferred to other provinces amounted to 18,000 tons. The amount of sugar turned over to the state increased from 20,000 tons to 140,000 tons. In 1981, the total volume of export products in the food industry amounted to 31.5 million yuan, an increase of 22 percent over 1978. The proportion of export products has thus been enlarged. Second, this is beneficial to the reform of the agricultural structure, thus increasing peasants' income. The development of the food industry has promoted the reform of the agricultural production structure,

thus helping diversify the economy and achieve a comprehensive development. In particular, after sugar and dairy production developed, some counties where soil is infertile or saline-alkali and not suited for growing grain, have planted beets and then used the beets to develop animal husbandry. By this method, they realized the abundance of sugar, livestock, fertilizer and grain. In the last 3 years, along with the increase of raw materials supplied by agriculture to industry, such as beet, tobacco, fresh milk, native products and fruit and vegetables, the peasants throughout the province have increased their yearly income by more than 500 million yuan. Just from beets alone, the increase of income in a year amounts to over 300 million yuan. Many communes and production teams have shaken off poverty by developing the production of beets, tobacco and cow milk. Third, this has promoted the development of other areas of the food industry which mainly take sugar and milk as raw materials. For example, the output of candy made with sugar and milk, alcohol and gourmet powder made with waste molasses, wine made with alcohol and cold drinks made with by-products of the dairy industry have all greatly increased in the 3 years. Fourth, this has given new life to the heavy industry enterprises. In this period, we also made use of the factory buildings, equipment and technology of 10 heavy industry enterprises, which originally produced chemical fertilizer, pesticides and machines, to produce dairy products, liquor, beer and candy. This has not only effectively developed the food industry economically, it has also helped these enterprises solve the problem of facing the dearth of production assignments and even being shut down. Fifth, this has helped arrange jobs for the young people waiting for work in urban areas. Food production involves labor-intensive production. It requires a large number in its labor force. Owing to the development of the food industry in recent years, nearly 40,000 young people in urban areas have been employed.

In our opinion, the reasons why the food industry has achieved great development in these 3 years can be found from the following points: 1. /Proceeding from reality, giving play to the advantages and overcoming shortcomings, and making use of material resources in this province to develop the food industry./ Our province is richly endowed by nature with the favorable material conditions for developing the food industry. For a fairly long time in the past, it was mainly because we merely emphasized the self-sufficiency of daily use consumer goods within the province, did not proceed from the realities, gave play to the advantages and overcame the shortcomings that our food industry could not develop rapidly, especially the products made with wine, milk and sugar which are rich in our province, which have not been properly developed. Since the 3d Plenary Session of the 11th CCP Central Committee, on the basis of reviewing the past experience, we have mobilized many people to go in for a thorough investigation of the agricultural and sideline material resources, their features in growing, the tendency of development and the economic policies concerned. After repeated study, we found that developing the food industry can give play to the most important advantage of our economy. So we decided to emphasize the production of sugar and dairy products, hence bringing along the development of the diversified agricultural economy and the food industry as a whole. In order to change the advantage of material resources into the advantage of products as soon as possible, the party provincial committee and the provincial government specified the major producing

districts of industrial crops and the base counties of animal husbandry in line with the features of resources in various areas. They adjusted a series of economic policies to promote the development of agriculture and animal husbandry. They also raised funds by every means to expand processing capacity.

2. /Adjusting economic policies, developing agriculture and animal husbandry and establishing bases of raw materials for the food industry./ Agriculture is the basis for developing the food industry, because nearly all the raw materials for the food industry are supplied by agriculture. Since the 3d Plenary Session of the 11th CCP Central Committee, the party provincial committee and the provincial government effectively implemented the two documents of the central authorities on the agricultural problems. They have successively adjusted the economic policies concerning the development of beet planting, cow raising and the production of tobacco, barley and native products. They have made a division of agricultural districts, by which industrial crops can be grown in some concentrated areas suited to their growing and production bases can be set up. First, since 1980, quotas for grain purchasing in the communes and teams which expanded their beet-growing areas have been adjusted. Beet output can be converted into grain output so as to calculate the gross output of grain. Grain rationing is guaranteed in the beet-producing areas. At the same time, the purchasing price for beets has been raised from 60 yuan per ton to 75 yuan. The province also gave 10 yuan per ton of subsidies outside the price to sellers. Money awards are given to the counties which overfulfill the quotas of producing and selling sugar-bearing crops. Second, policies have been relaxed to allow individuals to raise dairy cows. They are only prevented from speculation, exploitation by hiring workers and damaging resources. No limits are set on the number of cows raised by individuals. The purchasing price for fresh milk has been adjusted from 0.132 yuan per jin to 0.4 yuan per jin. The tax on selling milk has been lifted. The method of changing fodder with milk has been laid down. Third, the purchasing price for tobacco has also been raised. Tobacco sold to the province can be converted into grain. Cake fertilizer and the materials and fuels used for baking tobacco are first supplied to those who can provide tobacco. Industrial and commercial departments have raised funds to train technical personnel in tobacco-baking in rural areas. The purchasing price for barley has also been adjusted correspondingly. Fourth, the western part of the province has been specified as the producing area of sugar and milk, and the eastern part has been specified as the producing areas of tobacco and materials for making wine. Twenty-four base counties, more than 100 base communes and more than 600 base brigades have been set up throughout the province to produce beets. Other bases are set up in the same way. In the specialized cow-raising areas, specialized communes, farms, brigades as well as households are specified. Owing to these policies and measures, the initiative in all levels and the broad masses of peasants has been aroused to develop the production of raw materials for the food industry. Now, remarkable increases in beet, milk and good tobacco have been achieved. The base of raw materials for the food industry have basically been formed, thus ensuring the supply of raw materials for the development of the food industry.

3. /Placing emphasis on tapping potential, expanding processing capacity and guaranteeing the sustained growth of the food industry./ Since the increase in raw materials, the dearth of processing capacity has become the main problem in developing the food industry. Since 1979, apart from a few new sugar refineries, we have mainly made our efforts to tap potential, and conduct innovation and transformation for expanding the capacity. First of all, we emphasized those backbone enterprises. Second, we make use of the places and equipment of the factories which were shut down to handle food production. Third, we tried out best to adopt advanced technology to improve product quality, economize on energy resources, develop comprehensive utilization and achieve better economic results. Over the 3 years, the funds allocated by the state and the province, including all districts and counties, to develop the food industry totalled 340 million yuan, of which 70 percent was used for innovation and transformation in various sugar refineries. As a result, their capacity for refining sugar has increased by 60 thousand tons, compared with building new factories. This has saved one-third the funds needed to achieve the same results. It would take 3 years to build new factories in this capacity. Innovation and transformation were carried out in the overhaul time which was 2 and 1/2 years shorter than building new factories. For another example, 26 million yuan has been used in the innovation and transformation of dairy production. As a result, the capacity for processing 300 tons of fresh milk a day has been raised to 600 tons a day. In the course of tapping potential and carrying out innovation and transformation, some enterprises have also adopted advanced technology. For example, some sugar refineries adopted the method of recovering water for utilization in a cycle. As a result, water consumption did not increase even when the processing capacity was expanded; conversely, water consumption was one-quarter less than before. The comprehensive utilization has been strengthened and the distribution rationalized along with the expansion of the production capacity in the food industry. All projects which need to be newly-built, expanded and rebuilt must be subject to examination and a-proval by the departments concerned which take charge of them. Otherwise, they would not be included in the plans. Hence no funds or raw materials would be allocated to them and their products could not be accepted. The adoption of these measures has ensured the speedy and health development of the food industry in our province.

4. /Strengthening the leadership, ensuring the smooth development of the food industry./ The provincial party committee and the provincial government have treated the speedy development of the food industry as a strategic measure in the current readjustment of the national economic structure. They first made the "decision on developing beet sugar with great efforts," then held a series of meetings to specially discuss the development of the food industry and to hear work reports. The main producing areas and base counties of the industrial crops and animal husbandry were successively specified. Leading comrades of the provincial committee have personally made investigation and study, took part in and presided over a series of special meetings on the production of sugar, dairy products, drinks, wine, candy and cigarettes. They joined the discussion in these meetings, made arrangements and disposal for one trade after another, and one product after another. In order to strengthen the specific guidance of the food industry, two leading groups have been formed among the provincial authorities for the sugar-refining industry and the food industry.

These groups are headed by the leaders of the provincial government. Main leading comrades in the provincial planning council, economic council, financial office, agricultural office, the other departments concerned and the bank are all members of these groups. They are responsible for examining and deciding programs, coordinating the work of all departments concerned, organizing the cooperation between trades and departments, supervising and inspecting the implementation of various plans and measures and promptly resolving problems. The food industry is provided with the authority to receive necessary funds. The investment in the 3 years in this industry totalled 340 million yuan, among which 185 million yuan was invested in 1981, the year when the most investment ever was made. Fuels, electric power, the "three materials," grain and oil needed by the food industry are all guaranteed by all means. Policies concerning production in the food industry have been adjusted. In order to solve the problem that technical personnel were not sufficient, the provincial authorities have transferred a number of technicians from the departments concerned to replenish the technical forces in the food industry. They also allocated funds to run some technical schools and secondary special schools for the trades of sugar-refining and food processing. They mobilized all the strength in various departments to support the development of the food industry.

Although the food industry in our province has greatly developed, it still does not meet all the demands of the people's livelihood. There are still the problems of few varieties and poor economic results which particularly call for our resolution to carry out enterprise reorganization, technical transformation and strengthening management.

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INDUSTRY

'JINGJI GUANLI' ON DAILY-USE CHEMICAL PRODUCTION

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[Article reprinted from HUAGONG QINGKUANG [situation of the chemical industry] Issue No 2, 1982: "Energetically Develop the Production of Chemicals for Daily-Use"]

[Text] Chemicals for daily-use have a close relationship with the lives of the mass of common people. They can be treated independently as commodities. They can also be coordinated with other products to make them coordinated-type goods before they are put into the market. Moreover, they are basically ultimate consumer goods. For instance, fragrant essence can be sold independently as fragrant essence, but it can also be mixed with soap to produce perfumed soap. Daily-use fragrant essence and perfumed soap are both ultimate consumer goods. They are no longer materials for manufacturing other products.

Chemicals for daily-use and laboratory chemicals are related to each other, but they have differences too. Laboratory chemicals have a wider range of uses than chemicals for daily-use. Moreover, a very large amount of chemicals for daily-use are laboratory chemicals. With the development of the daily use of chemicals and the increase in the standard of living of people, an increasing quantity and more varieties of chemicals are entering the market. They have become indispensable consumer goods for life.

The main theme of this essay is to give a picture of how the following chemicals are used in our country.

1. Soap and Synthetic Detergents

In the past 20 years, the relative importance of soap has been declining because there has been a rapid development in synthetic detergents. Its relative importance in the total amount of detergent supply in the world declined from 63 percent in 1960 to 29.5 percent in 1975. As a result, a large amount of animal fats and vegetable oil had been saved. In 1979, the total world production of synthetic detergents exceeded 20,000,000 tons which was an average figure of 4.9 kilograms per person per years. The figure for West Germany was 22.1 kilograms per person per year while that of the United States was 21.9 kilograms with Japan producing 8 and China 0.4 kilograms per person. With the increase in the quantity of production, varieties of synthetic

detergents have increased too. There are different brands and types of synthetic detergents produced specially for cleaning glass, furniture, floors, table utensils and clothes in some overseas countries.

In 1979, the U.S. produced 5,000,000 tons of synthetic detergents; 48 percent of it was consumed by industry, 25 percent of it was consumed by common people, the amount of soap produced and sold was limited; 600,000 tons of perfumed soap was produced while production of soap for washing clothes had ceased.

In 1980, our country produced 400,000 tons of synthetic detergents. The quantity was not great and the varieties were limited. The quantity of high class detergents produced was especially small. Judging from the situation demand, export was out of the question. We need 1,000,000 tons of detergent if we allow for an average rate of consumption of 1 kilogram per person per year. That means we have to increase our production by 1.5 times. If we are to match the average rate of consumption of the world, we have to increase our production by 12 times. Compared with the rate of consumption in developed countries, our rate of consumption is very low. This shows that our potential market for synthetic detergents is very great.

2. Artificial Flavouring and Fragrant Essences

Artificial flavours and fragrant essences are used as ingredients of food, deodorants, detergents, cosmetics, hygienic goods and fodder. The development in the application of artificial flavours and fragrant essences has a close relationship with the promotion of consumer goods production, market vitalization and the enriching of the lives of people. For example, the formula of "Coca Cola" includes a very special artificial flavour which is welcomed by consumers. As a result, it has a world wide market. The "Maxim" perfumed soap produced in Shanghai has basic ingredients similar to that of "Green Spot" perfumed soap. But "Maxim" is welcomed by consumers because it has high class fragrant essences added. Its price is twice that of "Green Spot." The formula of "Big Rabbit" milky candy produced by Yimin No 5 factory of Shanghai includes highclass solid milk fragrance. Thus, the product has very good local and overseas markets.

At present, the value of annual worldtrade in artificial flavours and fragrant essences amounts to over \$2 billion. The United States accounts for 30 percent of this, Switzerland 15 percent, West Germany 10 percent and China 7 percent. The average rate of consumption per person per year is 400 to 500 grams in the United States, 200 grams in Japan. In 1980, our country produced 6,500 tons of fragrant essences and had an average annual rate of consumption of 7 grams per person. Most of the products were exported. The average rate of consumption in our country is very low. With the increase in standard of living and the development in the tourist industry, demands for artificial flavour and fragrant essences will increase rapidly. The constituents of natural fragrances are limited by the cycle of crop growth. Therefore, it is quite impossible to increase production rapidly. This provides a good future for the development of synthetic fragrances.

3. Leather Preservatives and Hide Processing Chemicals

The production of leather requires softening agents, greasing agents, polishes and other supporting agents. Low quality hide after being processed with chemicals can increase by one grade. Shoe leather after processing with dyes mixed with metallic elements becomes high class leather. Judging from the present condition of the hide processing industry in our country, the two above mentioned items, the income of the country can be increased by several million yuan every year. Daily-use leather goods when used need preservatives to keep their appearances and to extend their lives.

The leather goods we produce have good markets both within our country and overseas. Developing the production of hide processing chemicals and leather preservatives has great significance in upgrading the economic benefits of leather goods and in graining foreign exchange.

4. Domestic Hygienic Goods

Domestic hygienic goods include pesticides, insecticides, ordinary domestic medicines and various hygienic goods.

It is reported that there are over 4 billion rats in the world. The amount of food spoiled by them could feed 130,000,000 people. The department of agriculture estimates that the amount of food damaged by rats in our country reaches a figure of 16,000,000 tons a year. This figure is greater than the amount of food imported every year. The Red Star Chicken Farm loses over 10,000 jin of eggs a year because of the damage caused by rats. There are many cases in which rat's parasites spread infectious diseases, and rats damage property and cause industrial accidents.

In the past, we achieved certain results in using zinc phosphate, 666, and DDT to kill rats and pests. But prolonged use of such chemicals has resulted in the pests' immunity to them. Besides, such chemicals are very poisonous. They are dangerous to human beings and animals. Thus, they are not suitable for domestic use. In recent years, some highly effective and less poisonous pyrethroid compound pesticides and insecticides have appeared in some overseas countries.

Developing highly effectively low poison content pesticide could not only protect our food and properties, it also has great economic value. Besides, they are very important in preventing diseases and safeguarding national health.

Apart from the chemicals mentioned above, there are also other chemicals for daily use. For instance, photographic material amongst other light sensitive products. Domestic paints, dyes, colouring agents, adhesives, moulding materials, rubber products, fertilizers for potted plants, food additives and so on. There is great development of such products both within our country and overseas.

There are five technical and economic characteristics in developing chemicals for daily use: 1. There are many origins of raw materials. Raw materials mainly come from the petrochemical industry. They may also come from the coal

chemical industry, acetylene chemical industry and other basic chemical products. Most overseas enterprises which produce chemicals are amalgamated enterprises that produce many varieties of chemicals for daily use.

2. There are many varieties of daily use chemicals, but the quantity of each variety produced is usually small. The technical knowhow required is not too complicated. Instruments are relatively simple. It requires small investment. Thus, it is easy to start business.

3. The affixed value of products are high, therefore the profit is great. Our country has invested less than 20,000,000 yuan in the fragrant essence industry from 1970 to 1980, but the trade turned over 367,000,000 yuan which was 11.4 times the value of the fixed assets.

4. The products have a close relationship with the market. The competition is keen. Old products are outdated very quickly by new products. The industry requires concentration of knowledge and technical skills. The products are easy to imitate, and therefore, the techniques are normally kept secret and not easily sold to others. Therefore, the industry must have its own reserves of techniques. This may help us train and educate technical personnel.

5. The degree of mechanization and continuation in the process of production are low. Therefore it requires quite a large labour force. This employment opportunities can increase.

In summary, energetically developing the production of chemicals for daily-use could vitalize the market and make it prosper, satisfy people's needs with the increased standard of living, increase job opportunities and help us train technical personnel. Besides, it can also provide a big income for a country with only a very small amount of investment. This is certainly a way of making the country prosper and a way of benefiting the people.

At present, the production of chemicals for daily use is mainly the responsibility of the department of light industry. The department of chemical industry chiefly bears the responsibility of providing raw materials and production media. The department also produces part of the chemicals for daily use. For further developing the production of chemicals for daily use, we suggest that all related departments cooperate with each other in thoroughly studying the condition of technical production so as to improve integrated utilisation and overall planning.

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INDUSTRY

READJUSTING STEEL INDUSTRY VIEWED

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[Article by Dong Yizheng [5516 6318 2973] and Zhang Yinzong [1728 0603 0022]: "The Important Task for the Iron and Steel Industry at Present Is to Further Readjust the Service Orientation"]

[Text] In his report at the fourth session of the Fifth National People's Congress, Comrade Zhao Zhiyang said: "Readjusting the service orientation, enlarging the area of service, improving the quality of service, raising the adaptability to the environment, serving agriculture and the consumer products industry in an even better manner, serving the technical restructuring of the national economy, serving the export trade and serving modernization--these are where the road of heavy industry should lead to." This passage presents an outline for the further readjustment of the service orientation of the iron and steel industry.

A Good Start

The iron and steel industry is one of the basic industrial departments for the production of raw materials in the national economy. In accordance with the need for the coordinated development of the various departments of the national economy, it should organize its production and services well in this connection. Unfortunately, for a prolonged period of time, the structure of our national economy has been too lopsidedly devoted to the development of heavy industry, and the iron and steel industry has over emphasized its service orientation to heavy industry and to the capital construction projects and has not been self-conscious enough or sufficiently clearly marked in serving agriculture, the light industry and the people's standard of living. As a result, at the start of the readjustment of the national economy, the iron and steel industry was caught in a passive position. For example, concerning the variety of steel products, on the one hand, there was a shortage of such products as small-size rolled steel, wire rod, thin plate, strip steel and welded pipes, all of which were required to serve the people's standard of living and also to serve light industry and construction. Whereas, on the other hand, there was an oversupply of such products as large-size rolled steel, heavy rail and medium plates. In order to meet the needs for economic readjustment, in recent years the iron and steel industry has done much in readjusting the structure of its products, improving their quality and gradually

shifting its services to the development of agriculture and consumer durables. A change for the better has thus been made in its service orientation. In 1978, the output of products needed by the markets of light industry such as small-size steel, wire rod, strip steel and welded tubes was 8.42 million tons. By 1980, it had increased to 12.93 million tons, an increase of 4.51 million tons. This has basically rectified the situation of supply lagging behind demand.

Thin steel plates and strip steel are the two products in relatively great demand by the light industry. They have developed rapidly. In 1978, the output of these products was 1.79 million tons; in 1979, it was 2.16 million tons; and in 1980, 2.93 million tons, but in 1981 it went up to 3.64 million tons. Thus, in 3 years' time, an increased output of 1.85 million tons, or an increase of 100 percent, was recorded. In particular, in the Wuhan Steel Plant, the 1.7 meter steel rolling mill has begun to assert its role and increased production for the state of tin-plated steel, zinc-plated steel and steel products for the manufacture of bicycles and motor vehicles. This has eased to a certain extent the contradiction between the supply and demand of these varieties of steel products.

In contrast, the production of the "long-range" goods at that time, such as large-size steel products, heavy rail and medium plates, was organized in strict observance of actual needs and, at the same time, the quality of certain products was noticeably improved. Production of some 30 varieties of products including screw reinforced bars, ship-plates, steel for high-speed tools, cord clothing steel wires and so on was made in designated quantities and in strict accordance with the international quality standard. For example, the industry produced reinforced steel bars of varying strength for uses ranging from the building of ordinary residences to the construction of tall buildings. Aside from meeting domestic needs, these products have been exported abroad and constitute a highly competent force in the international market.

Several Outstanding Features

In readjusting the service orientation of the iron and steel industry in order to enable it to render better services to its patrons, very fruitful work has been accomplished. The principal features are the following:

1. Serving the development of consumer durables by strengthening market investigation and knowing and grasping market changes. Following the guideline of developing consumer durables, last year the metallurgical department carried out an investigation on the actual condition of the demand for steel products in the making of some 20 varieties of home-use electric machinery products. The investigation duly entered into its files all such information as the current output volume of the products, the recent trend of development, the varieties available, the specifications and quality of steel products required for the making of each variety of product, and the consumption quota of steel materials. A number of iron and steel enterprises signed a 2-year supply contract with over 440 plants manufacturing bicycles, sewing machines, television sets, recorders, washing machines, home-use electric meters, and so

on. Comparatively systematic investigations were also made by the Shanghai Municipal Metallurgical Bureau on several dozens of varieties of metals required by the light industry market ranging from those used in manufacturing bicycles, sewing machines and wristwatches to those used for women's hair pins and children's toys. On the basis of the information obtained, rules and concrete measures were formulated on readjusting the structure of the products and, as a result, the production of various kinds of products for special use was greatly increased. For example, the production of the no 19 manganese strip steel badly needed for the manufacturing of high and medium grade bicycles used to be only some 2,000 tons a year, but in 1980 it was increased to 6,400 tons. The supply of the strip spring steel for use in making the "5-5-5" brand table timepieces well-known both domestically and abroad used to be limited to only around 1,000 tons a year, but the Shanghai No 5 Steel Plant, noting the market's urgent demand for the commodity, tapped the latent resources of its equipment and in 1980 raised the output to 2,500 tons. This met the market demand in full. Certain plants producing special steel products for military use and for heavy industry conducted a study on how to shift special-quality steel to civilian use. They actively increased the output of those products which serve the light industry market, irrespective of whether they were for military use or civilian use. At the Dalian Steel Plant, out of the plant's total output, the ratio occupied by those products serving the light and textile industries was improved from 8.5 percent before the readjustment to 33 percent at present. The Qiqihaer Steel Plant organized 10 new production lines specially for increasing the output of products for civilian use. In 1981, of the steel products marketed by the plant itself, two-thirds were for civilian use.

2. Endeavoring by every possible means to provide new materials for the technical restructuring of the national economy, many of the enterprises have stepped up the trial production of new products, strengthened their research thereon and turned out a batch of new materials and new varieties which were of high strength, corrosion-resistant, heat-resistant, economically adaptable for use, and able to replace imported products, thus filling the gaps in the market, meeting the users' needs and facilitating their own development. In 1981 alone, nearly 1,500 tons of new materials were successfully trial-produced. The roller of the 1.7 metre cold rolling machine at the Wuhan Steel Plant used to be imported from abroad. However, in 1980, the Qiqihaer Steel Plant undertook its trial production and has now succeeded in producing it in the desired quantities. In this way, this special item, which can withstand high speed, sustain a heavy load and perform highly precise work has obtained a foothold in the country. In the past, the pipes on the carbonization tower of the Dalian Chemical Plant had a life expectancy of only one-half year but now the low-carbon corrosion-resistant steel pipes supplied by the Dalian Steel Plant have remained in use for more than a year. This has increased the output of soda ash by over 20 percent, in addition to improving its quality. In this way, the tower alone can increase its profit by 1 million yuan a year.

3. Organizing and promoting the outflow of steel materials to the countryside, thus meeting the peasants' needs. In the past, steel products came under the state's unified distribution. Basically speaking, no channel of

supply was available for the daily-use steel materials required by the 800 million peasants. In more recent years, many metallurgical bureaus and metallurgical enterprises have gone deep into the countryside to investigate the general situation of the use of steel, particularly in connection with the building of farm houses. The replacement of timber by steel was advocated and various kinds of steel materials suitable for farm use were offered and supplied to the countryside. The Capital Steel Plant designed and built three model residential houses using steel beams and uprights but still retaining the main characteristics of farmhouses in the outskirts of the capital city. They were displayed and were well received by the peasants. The Anshan Steel Plant made use of leftover materials to build for the peasants' house frames, wheelbarrow and cart frames, beams for cart storage, hot-house door beams, and altogether some 20 different kinds of steel structures. Within 3 months, 8,000 pieces of steel house frames and over 2,000 steel doors were sold. The Jinan No 2 Steel Plant conducted an investigation in 13 counties located in 3 separate districts and designed 34 varieties of steel structurals for house frames. It was found that the structurals for a 3-room house cost about 650 yuan each. This was 30 percent cheaper than their timber counterparts. In addition, many enterprises have stepped up their retail sales of steel products, selling the steel products direct to the production teams and individual peasants. Enterprises under the Hebei Provincial Metallurgical Bureau set up nine retail sales departments for steel products. Last year, the volume of sales was nearly 10,000 tons.

4. Intense efforts were made to develop the international market and to serve and expand the export of steel products. Following the readjustment of the national economy, the export of steel products has increased considerably. In 1978, the country exported 330,000 tons of steel products and 30,000 tons of pig iron. The foreign exchange earnings from this source amounted to \$169 million. In 1981, the China Metallurgical Import and Export Corporation alone exported over 300,000 tons of steel products and over 600,000 tons of pig iron. Adding to this the export of the metals and mining import and export corporation of the department of foreign trade, the foreign exchange earnings from the export of iron and steel products for the whole year amounted to about \$600 million. In addition to the direct exports of iron and steel products, the industry supplied some 200,000 tons of steel materials to the ship-building and machine-building departments for the manufacture of their respective lines of commodities for export. In developing the international market, the enterprises tightly grasped the quality factor of the products. As for the pivotal products, the international advanced level was strictly adhered to and intense efforts were made to overcome any difficulties in production or in improvement. Good results were achieved. The ship-building plates turned out by the Shanghai No 1 Steel Plant used to be very poor in quality and were nicknamed "swaying boards." Since 1979, the plant enforced all-round quality control and organized measures to overcome the technical difficulties encountered. As a result, the quality of the products was notably improved and received the commendation of shipping firms in Britain and West Germany. Several ocean-going steamers built with these ship plates have been exported and delivered. Our output of steel for the making of high-speed instruments was once at a fairly high level, but because of the questionable quality, a large quantity of this type of steel had to be imported. At present, certain iron and steel

enterprises and scientific and research units are cooperating with the relevant departments of the first ministry of machine building to produce a new variety of the M2 products. Last year, not only was there no import of any steel for high-speed tools but also about one-half of the output of this type of steel in the country was made into drill bits for export. They were relatively well received in the international market.

Five Major Tasks

Although the readjustment of the service orientation of the iron and steel industry has made a good start, a large amount of difficult work still lies ahead. Intense efforts have yet to be made to open up new areas, to serve the production and livelihood needs of the 800 million peasants, to serve the light, textile and food industries, and also to serve municipal construction, the export trade and the technical restructuring of the energy, communications and defense industry departments.

1. We should continue to take the readjustment of the structure of the products as the pivotal point in doing a good job of serving. Product marketability is in reality the material foundation for a good service performance. Viewed from the development needs of the national economy recently, the task of readjusting the product structure will be a heavy and difficult one. It is initially estimated that during the Sixth 5-Year Plan period the supply of steel products will still tend to be rather tense. In particular, due to the rapid development of light industry, the construction industry, the energy industry and communications, the demand for steel plates, steel tubes and strip steel will greatly increase. For example, during the Sixth 5-Year Plan period, the output of home-use electrical machinery products will probably increase by 100 percent and the steel products required will consist principally of thin plates and strip steel. The high-precision and high-tensile steel pipes for use by the petroleum industry and the power-generating units have all along been in short supply. The likelihood is that the demand for this product will further increase from now on. Hence, hereafter the pivotal points in readjusting the structure of the iron and steel products will lie in the production of steel plates, steel pipes and strip steel. In particular, there must be an increased output of thin plates and strip steel which are badly needed by light industry and the market. As for the concrete varieties, we should turn our attention to those which are in wide use. command a broad influence, strictly adhere to the quality code and are being exported in relatively large quantities. Among them, the principal ones may be mentioned as thin zinc-plated steel plates, thin tin-plated steel plates, cold-rolled plates for motor vehicles, plates for pressure containers, boiler plates, medium-thickness plates, silicon steel plates, oil pipes, boiler and furnace tubes, small-diameter seamless steel pipes, and so on.

2. We should earnestly develop alloy steel and provide new materials for renewing and replacing the products of the various departments of the national economy. In chemical analysis, steel may be divided into two categories, namely, carbon steel and alloy steel. Generally speaking, the tensile strength, durability, elasticity and corrosion-resisting quality of alloy steel are superior to those of carbon steel. Thus, alloy steel actually

constitutes the main component of high-quality steel. Following the rapid development of industrial technology and the expansion and development of the new and developing industries and as a result of the production equipment generally tending to be of a high-speed and light-weight type and capable of standing a heavy load, the demand for alloy steel has been steadily increasing. Some of the equipment parts originally made of carbon steel are now being replaced by those made of alloy steel. For example, in the 1950's, carbon steel was used in the construction of the Wuhan Bridge across the Changjiang River. The bridge openings then had a span of only 128 meters. By the time of the building of the Nanjing Changjiang Bridge in the 1960's, alloy steel of low manganese content was used instead and the span of each bridge opening was increased to 160 meters. In the 1970's, an even better kind of low-alloy bridge steel was in use and the span of each bridge opening was designed to exceed 200 meters. Formerly, carbon steel was used in the making of railroad wagons, but this suffered severely from atmospheric corrosion and every 5 years the wagons had to be completely overhauled. On the other hand, alloy steel is resistant to atmospheric corrosion and if it is used, the time for overhauling may be extended to 12 years. In the case of the China-made liberation-brand motor vehicles, formerly carbon steel was used in their building but this has now been replaced by low-alloy steel. As a result, the weight of the vehicle body is reduced and the life expectancy of the vehicle is prolonged. In this way, in readjusting the service orientation of the iron and steel industry and in readjusting the structure of the products, we should pay great attention to the structure of the type of steel in use. Indeed, we must develop our alloy steel and low-alloy steel with our country's rich resources of metals and elements such as vanadium, titanium, tungsten, molybdenum, niobium and rare earth metals. We must also raise the alloy contents. First, we should turn our attention to light industry and to the people's life so that a large quantity of superior-quality steel may be shifted to civilian use for the production of consumer durables which are of good quality and cheap in price. Second, we must earnestly expand the varieties of special alloy steel required by the various departments of the national economy for renovating and replacing their products and for their technical restructuring. Third, we must provide new-type materials for the development of new energy resources and for the opening up of ocean and space navigation.

3. We should firmly and irrevocably put quality improvement in an important position. It must be clearly understood that despite a correct service orientation of the products, we are still rendering disservice to the end-users of the products if their quality is poor and varieties are limited. Only when the quality of the products fully meets the demand of the users and the use value of the products is raised can it be said that good service has been rendered. It is true that in certain cases improving the quality of the steel products suffers from limitations due to the equipment conditions. Therefore the long-term plan should be to start from reality, to shape one's efforts according to ability, and to carry out technical restructuring in a planned manner and with due regard to the pivotal points. Nevertheless, it must still be pointed out that even under the present conditions of the equipment, it will be entirely possible to effect a big improvement in the quality of the products if we can only enforce all-round quality control, strictly carry out operational rules, solve the difficult problems with technological measures, adopt inexpensive

but appropriate and advanced technology and introduce the necessary inspection and checking measures. All this has been fully vindicated by the swift improvement in the quality of the steel for use in the making of high-speed tools and in the quality of the steel plates for shipbuilding.

In improving the quality of the products, first of all we should take stock of the maladies which are frequently seen and which are of frequent occurrence that affect the quality of the products at the present moment. Such maladies may be mentioned as poor quality, poor exterior appearance, impure quality of steel, too many impurities, improper packing, and so on. We must overcome these drawbacks so that the quality of the daily-use products may be improved. Take for example such symptoms as the plates being uneven in thickness, having too steep a curvature, having "freckles" or spots on the surface, or showing too many cracks. They all affect the use by the end-users and must therefore be speedily rectified. Second, we should enlarge the ratio of the superior-quality products. In recent years, the volume of the superior-quality steel products has continuously increased and many of the enterprises have rather rapidly increased their production. Nevertheless, although under the Shanghai Metallurgical Bureau the proportion of superior-quality steel products is 34.6 percent of the total output and that of the Zhongqing Steel Plant is 28 percent, the ratio for the country as a whole is still very small. Hence, we should devote the utmost efforts to increasing the production of these products and to reaping a bountiful harvest therefrom, so that more superior-quality products may be provided to the users. Third, as for those products that have already been assessed as superior-quality products by the state or the province, they should continue to seek further improvement. For example, in 1979 the Zhongqing Steel Plant was awarded a good medal by the state for the superior quality of its boiler plates but in the following 2 years, the plant continued to make further improvements of the product and succeeded in surpassing many of its technological targets. It thus won the confidence and approval of its customers. At present, we should principally improve the quality of the hot-rolled plates, wire rods, strip steel, welded tubes, and the small-diameter seamless steel tubes all of which are traded in extensively in the light industry market. Additionally, we should improve the quality of the key materials for the defense industry. We should endeavor to raise the quality of certain steel products to the international level.

4. We should extend the processing stage to the semifinished or partly-finished products. The iron and steel industry should create the conditions to make it easy for the patrons to reduce their processing work, to improve their work efficiency and to practice economy in the use of materials. Actual practice has shown that increasing the processing intensity of iron and steel products and carrying out "production extension" not only are welcome by the patrons but also can truly increase the economic benefits to the state. For example, formerly in making the propeller blades for steamers, circular steel was used. After forging, the circular steel had to go through mechanical processing before being turned into the finished product. The material utilization rate was very low, the processing time spent was long, and the production cost was high. Noting this problem and endeavoring to facilitate the work of its customers, the Benxi Steel Plant prepared a special variety of "propeller-plate" steel and as a result the material utilization rate was

raised 20 to 40 percent. In the making of piano strings, piano plants used to employ round steel rods of a diameter of 13mm each and had to subject them to six processing stages before the end product was finished. Last year, the Capital Steel Plant specially rolled a string-shaped steel product for the purpose. This enabled the piano plants to save some 50 percent of steel material in piano manufacturing. In making the "shuttle" for sewing machines, the manufacturing plants formerly used flat steel and had to subject it to 10 processing stages including planing, clipping, cutting and milling. In this regard, the "Fighter Steel Plant" of Shanghai, acceding to the customers' request, produced a special "shuttle" type steel for use as a result of which the processing stages were reduced from 10 to 3 and the savings amounted to a 40 percent reduction in the consumption of materials. The dredgers in gold-dredging boats used to be made of ordinary carbon steel. This had some defects such as that the dredger lacked precision in size and the parts frequently could not fit one another or be fully assembled. Last year, the Qiqihar Steel Plant employed high-grade manganese steel to make the dredgers and supplied the clients with both parts and full sets of equipment. The working efficiency of the clients was raised by 400 percent, while the life expectancy of the equipment and tools was extended. By using this new dredger, two dredging boats working within a prescribed period of time, can excavate 2,000 more ounces of gold than before. Hence, based on actual needs and adhering to the principle of conforming to local conditions, the iron and steel industry should further intensify the processing work of their products for the general benefit of patron customers.

5. We must further strengthen market investigation and research and render good services to marketing and to technology. So far, the countryside is still a vast undeveloped market for steel products. We are still oblivious to the exact volume of steel products that can be consumed in the countryside, the varieties needed or the trend of future development. The technical restructuring of the national economy has brought to the iron and steel industry new problems, and new demands have been generated for metallic materials on account of the need to renovate the products of light industry. We must conduct a systematic investigation into these problems. We must be well informed on all these matters.

As for strengthening and intensifying marketing and the technological services at present, we should grasp well the following four factors: First, wherever it is economically rational, the time required for delivery must be shortened. In contracting sales, we should give both the big and small customers equal consideration. In the case of those customers who have the requisite conditions, "delivery to their doors" may well be conceded. The Fighting Steel Plant, the peculiar shape steel plant and the silicon steel plant of Shanghai catered to both big and small customers and treated them alike, irrespective of the size of their orders. In addition, the plants generally acceded to fixing the delivery time of the goods according to the customers' wishes. As a result, they were welcomed by the customers. Second, production must be organized to suit the varying demands of the patrons and the practice of applying one "model" to all must be discarded. For example, the cold-rolled plates turned out by the Fushun Steel Plant used to be produced according to only one standard and the practice was that polishing was done in part and

burnishing was not necessary. This type of plate was found entirely satisfactory by the war industry but the textile departments found that polishing was not needed while the gourmet powder plant thought that the plates should be wholly polished and burnished. As a result, the Fushun Plant had to adopt three separate standards in the production of the cold-rolled plates. This satisfied three different sets of demands. Third, we must perform well publicity work on the quality and capability of the different varieties of steel products and help the patrons to select the proper kind of materials and to rationally use the materials. The Wuhan Steel Plant learned from the bicycle plants that the substandard rate of parts made from its 1.7 meter steel had been rather high. At once, it organized a team of technical personnel and dispatched it to the bicycle plants to conduct an exhaustive survey on the quality, processing intensity, technological environment and condition of utilization of some 200 bicycle parts. Following the survey, it offered to the bicycle manufacturing plants a special kind of steel which guaranteed the up-to-standard rate of the bicycle parts. This made the production of the "Everlasting" and "Phoenix" brands of bicycles use more of Wuhan's 1.8 meter steel. Fourth, we must study the needs of the patrons for upgrading and replacing their products. In this connection, the Dalian Steel Plant specially organized a research section on light industry products. Last year, the plant devoted 50 percent of its scientific and research force, and earmarked 40 percent of its research funds, for the purpose of studying and making new varieties of steel required by the light and textile industries.

We believe that the iron and steel industry can accomplish much if only it could firmly implement the guideline of readjusting the national economy, deeply implant in its mind the thought of serving its clients, and use initiative to earnestly readjust its service orientation.

CSO: 4006/533

INDUSTRY

BRIEFS

GLASS, CEMENT PLANTS--Beijing, 6 Jul (XINHUA)--Ten plate glass factories and four cement plants will be built or expanded with joint investment by the National Administration of Building Materials Industry and the local governments of Shanghai and 10 provinces. The provinces are Henan, Hebei, Gansu, Sichuan, Zhejiang, Anhui, Shanxi, Heilongjiang, Jilin and Jiangsu, the latest issue of the ECONOMIC INFORMATION said. Of the total investment of 670 million yuan, local governments will contribute 420 million yuan, it said. Upon completion in 1986, the paper said, the glass factories will produce 18 million standard cases of plate glass annually, and the cement plants, 1.57 million tons of cement each year. [OW060956 Beijing XINHUA in English 0718 GMT 6 Jul 82]

CSO: 4010/11

CONSTRUCTION

BRIEFS

NEW QINGHAI BRIDGE--The (Tuanjia) Bridge, Qinghai Province's first prestressed reinforced concrete bridge spanning the Huangshuihe River, opened to traffic on 1 July at the (Xia-Luo-Jiao-Wan) in the eastern suburbs of Xining Municipality. The bridge has a load capacity of 100 tons. The Xining Municipal People's Government held an opening ceremony for the bridge. (Qiang Jianhua), first secretary of the municipality, cut the ribbon at the opening ceremony. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 4 Jul 82]

CSO: 4006/621

DOMESTIC TRADE

BRIEFS

GANSU URBAN, RURAL FAIRS--Urban and rural fairs in Gansu Province enjoyed brisk sales in the first 6 months of this year. Business volume reached 160 million yuan, 17.8 percent more than in the corresponding 1981 period. Compared with 1981, prices of wheat, edible oil, donkeys and piglings dropped. Those of rice, corn and vegetables rose. [SK040744 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 3 Jul 82]

CSO: 4006/621

FOREIGN TRADE

FOREIGN ECONOMIC, TRADE RELATIONS, MARITIME ARBITRATION VIEWED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 2, Feb. 82 pp 54-56

[Article by Ren Jianxin [0117 1696 2450]: "Our Nation's Foreign Economic and Trade Relations and Maritime Arbitration Work"]

(1)

Arbitration is one of the major ways in which our nation resolves disputes involving our foreign economic and trade relations and maritime affairs.

When we encounter a dispute in the course of our external business dealings in foreign trade and ocean shipping, we first, on the basis of our nation's policies and trading customs, attempt to arrive at a solution through direct, amicable consultation between both parties. However, when resolution through consultation fails, settlement is then sought through arbitration on a voluntary basis by both parties. Today, most of the foreign contracts signed by our government, companies and enterprises include an arbitration clause and there are provisions for arbitration in the bilateral trade agreements and common delivery conditions that are concluded by our government with foreign nations.

On the basis of a decision by the State Council, the China Council for the Promotion of International Trade in 1956 and 1959 successively established the Foreign Trade Arbitration Commission and the Maritime Arbitration Commission. Provisional rules of arbitration procedures were formulated separately for both commissions.

In order to meet the need for the continuous development of our nation's foreign economic and trade relations, in February 1980, the State Council changed the Foreign Trade Arbitration Commission of the China Council for the Promotion of International Trade to the Foreign Economic and Trade Arbitration Commission. The jurisdiction of the Commission includes all disputes arising from Sino-foreign joint ventures, cooperative undertakings, cooperative exploitation, introduction of technology, [foreign] loans, foreign [direct] investment in China and leasing operations, disputes arising in association with foreign trade contracts (including compensation trade and processing of customers' materials) or with commissioned business contracts, disputes arising in relation to shipping, insurance and storage of goods

and disputes arising in association with other foreign economic and trade activities.

The Maritime Arbitration Commission deals with the following three types of maritime disputes: (1) Disputes over remuneration involving mutual assistance by ships; (2) disputes arising in relation to collisions between ships at sea; and (3) disputes arising in connection with chartering operations and chartering agent operations, disputes based on shipping contracts, disputes over ocean shipping operations handled through bills of lading and other shipping documents and disputes involving marine insurance and other maritime affairs.

(2)

The arbitration commissions carry out their arbitration work in conformity with their own independent policies and a policy of equality and mutual benefit and in reference to international customs and practices.

The arbitration commissions first analyze and study problems and deal with matters under dispute on the basis of the relevant state policies and laws. Both parties to a dispute are treated equally without discrimination "with importance being given to the contract and to keeping one's word" regardless of the sizes of their countries or the amounts of their capital. Imperious and despotic practices in which the large oppress the small and the strong humiliate the weak in international trade and ocean shipping undertakings are opposed.

When determining the rights and obligations of the interested parties to both sides of a contract, the arbitration commissions will refer to a number of rational [internationally accepted] customs and practices that have been developed over a long period in international trade and that are beneficial in expanding international trade and international shipping.

In the process of dealing with a case, the commissions solicit opinions from all sides, consider needs and possibilities, conduct direct studies of the concerned markets or the on-the-spot situations, acquaint themselves with conditions comprehensively in detail, clearly determine responsibility, distinguish clearly between right and wrong and make decisions on a just and reasonable basis.

These procedures of the arbitration commissions have met with the admiration of the concerned parties in China and abroad and international trade and ocean shipping circles. For this reason, there has been a comparatively rapid expansion in recent years of our nation's foreign economic and trade relations and maritime arbitration work. This has been conspicuously manifested in the ever increasing number of arbitration contracts stipulating that arbitration is to be held in China. Not only have there been general commodity transaction contracts but there have also been contracts concerning Chinese-foreign joint ventures, leasing operations, cooperation in services and joint exploitation of resources. We welcome this trust and confidence. At the same time, we are willing to assist Chinese and foreign concerned parties, on the basis

of the concrete conditions of contracts, in flexibly selecting a permanent arbitration organ or temporarily constituted arbitration tribunal to conduct arbitration in the nation of the other party, in the nation of the defendant or in a third nation.

(3)

One of the characteristics of arbitration work in China is to emphasize resolving disputes through mediation.

In handling cases under dispute, the arbitration commissions not only seek to achieve an equitable settlement for the two contending parties, but must also achieve further development of economic and trade relations for both sides through solution of the dispute. For this reason, when the arbitration commissions accept and hear a case under dispute, they always strive as far as possible to settle a dispute through mediation. This practice in our nation has been welcomed by concerned parties both at home and abroad.

Stressing mediation does not mean not stressing arbitration. Still less, it does not mean that we should only engage in mediation without engaging in arbitration. Rather, it means combining mediation and arbitration.

First, mediation is carried out on a voluntary basis by both parties. Mediation can be performed before the process of arbitration begins or it can be carried out while the case is being heard. When, in the course of mediation, both parties fail to come to an agreement, or one of the parties is not willing to continue mediation, mediation is stopped and the case is heard quickly and an award is made through the process of arbitration.

Mediation work can be carried out by an arbitration commission before an arbitration tribunal is established. After an arbitration tribunal is established, arbitration is carried out by the tribunal. Mediation can be carried out face to face or by letter or telephone. If both parties can reach and agree to an agreement through mediation, a "mediation agreement" can be worked out on this basis and the case concluded.

In recent years, the concerned arbitration organs of China and foreign nations have created the method of "joint mediation." Practice has demonstrated that it is effective and it has come to be thought of highly by economic and trade circles in various countries. In 1977-1979, Chinese and American arbitration organs used "joint mediation" to achieve successful resolution of two cases under dispute involving comparatively large sums of money that arose in the course of Sino-American trade. In 1980, the China Council for the Promotion of International Trade concluded the "Protocol on Settlement of Disputes Over Sino-Franco Industrial Property Rights and Trade" with the Industrial Property Rights Bureau of France as a further development of the practice of "joint mediation." In May 1981, "joint mediation" was set out as the first provision in the "Arbitration and Cooperation Agreement" signed by the arbitration organs of China and Italy. These indicate that this positive form [of mediation] is meeting with increasing regard and approval in international arbitration circles.

A type of arbitration involving "joint mediation" was also initiated in the "Protocol on Using Arbitration to Resolve Disputes in Ocean Shipping Between China and Japan," which was concluded between the Maritime Arbitration Commission of the China Council for the Promotion of International Trade and the Maritime Affairs Committee of the Office of the Japan Ocean Shipping Association in December 1978. This protocol stipulates: (1) Disputes relating to assistance at sea, collisions between ships and harbor facilities damaged by ships are to be handled by the arbitration organs of the country in which the port is located or by the country whose territorial waters are involved. When they occur on the open seas, they are to be handled by the country of the provider of assistance or by an organ agreed upon by both concerned parties; or the arbitration organs of the two countries involved will consult to set up an arbitration organ [tribunal]. (2) Arbitration involving leasing of vessels alone, chartering, consignment of goods for shipment, ocean shipping, bills of lading, ocean shipping agents, towing transport, general average, marine insurance and other related disputes will be accepted and heard by the arbitration organ that is stipulated in a contract or by the arbitration organ of the country of the respondent. (3) When it cannot be determined to which arbitration organ the matter should be submitted, it is to be dealt with jointly by the arbitration organs of both nations. We believe that this form of "joint handling" should be attempted on a trial basis in resolving disputes arising from foreign economic and trade relations.

(4)

The arbitration commissions of our nation work in accordance with the following procedures.

First, an arbitration commission can only handle a case under the prerequisite that both concerned parties sign an arbitration agreement stipulating that they will submit their disputes to an arbitration commission for settlement. Our nation's courts cannot accept and hear a case in which an arbitration agreement has already been reached.

An arbitration commission can accept and hear a disputed case on the basis of an arbitration agreement of both parties or on written application from one party. When submitting for arbitration, both concerned parties should each select one person from the arbitration commission to be the arbitrator (a member of the arbitration commission is expected to be a specialist in a relevant field). Further, members of the arbitration commission selected by both parties jointly choose one member of the commission to serve as umpire, to organize the arbitration tribunal and to hear the case jointly. Both concerned parties can also jointly select a member of the arbitration commission to be arbitrator to hear the case independently. If one of the concerned parties does not select an arbitrator within the stipulated period, then the arbitrator will be appointed by the chairman of the arbitration commission in accordance with the application of the other party. If the arbitrators of both parties cannot agree on the selection of an umpire within the stipulated period of time, the chairman will also select one on their behalf.

Any one of the concerned parties can entrust the chairman of the arbitration commission to designate an arbitrator. If both parties entrust the matter to the chairman of the arbitration commission, he can designate one person from the arbitration commission to be an impartial arbitrator after having obtained the approval of both parties.

Arbitration is generally held at Beijing, which is the location of the arbitration commissions. The concerned parties can personally put the matter related to the arbitration procedure before the arbitration commission or they can delegate a Chinese or foreign citizen to be their agent to handle it for them. The agent must have the power of attorney for the concerned party. The agent can appear in court on behalf of the concerned party.

A hearing can be conducted orally in a formal tribunal, or handled by using written materials provided by both concerned parties. Hearings are generally conducted in public. A hearing can also be conducted under closed conditions at the request of one or both parties. If one of the parties is absent when the tribunal is called into session, the hearing can be carried on and an award given in accordance with the application of the party present.

The arbitration tribunal gives its awards by a majority vote. An award is considered to be final and neither party can appeal to a law court or other authorities for revision of the award.

Both parties must carry out the verdict voluntarily on schedule. When one party does not implement it on schedule, the other party can apply to the People's Court of the People's Republic of China to have it enforced in accordance with the law.

There are clauses for reciprocal execution of arbitral awards in the various bilateral economic and trade agreements that have been concluded with foreign countries by our nation. On the basis of the provisions in the relevant agreements, our arbitration awards can be enforced abroad and foreign arbitral awards can be enforced at home.

As our nation's foreign economic and trade relations continuously expand, there will be more and more agreements and contracts concluded between Chinese and foreign companies and enterprises. In order to avoid or minimize the occurrence of disputes during their implementation or to facilitate resolution after a dispute has arisen, it is very important to include arbitration clauses in an agreement or contract. We are willing to cooperate with our friends in Chinese and foreign companies and enterprises and in international arbitration circles in order to make our due contribution to promoting the development of friendship and economic and trade relations between China and the citizens of the various countries of the world.

10019
CSO: 4006/432

FOREIGN TRADE

BRIEFS

FUJIAN TEXTILE EXPORTS--Fuzhou, 4 Jun (XINHUA)--Though cotton is not produced in Fujian Province, textile products have now become a major export item from Fujian. Since 1979, the Foreign Trade Department of the province has purchased such materials as cloth, cotton yarn and chemical fibers from other localities and organized various plants to engage in processing these materials into knitwear or garments for export to 14 countries and areas. As a result, the total value of textile products exported in 1981 reached U.S.\$5.34 million and this year contracts have been signed with foreign businessmen for exporting textile products worth more than U.S.\$10 billion. During the first 5 months of this year, the province fulfilled 52.27 percent of the annual export plans. [OW061323 Beijing XINHUA Domestic Service in Chinese 0044 GMT 4 Jun 82]

CSO: 4006/621

LABOR AND WAGES

HEILONGJIANG URGES MORE WORKING TIME FOR TECHNICIANS

SK220614 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 21 Jun 82

[Text] According to recent proposals personally offered by scientists and technicians, some units throughout Heilongjiang Province have failed to ensure five-sixths of working time for technicians and scientists. For instance, an engineer of the Provincial Electronic Institute stated that, according to an ordinary weekly work schedule, scientific and technological personnel should participate in three half-day activities of political study, party and CYL campaigns and obligatory labor and in relaying and discussing the documents issued by the central and other higher authorities. In effect, they do little scientific and technological work in a week. If they unfortunately came across unified labor assignments by the municipal and district authorities on road and river bank revamping or a unified study campaign which must last for 3 or 4 days, their five-sixths time for research work would by no means be insured. Some noted senior intellectuals have not even been able to implement their work schedule of spending five-sixths time in research since they have so many concurrent posts and have to attend so many meetings. Therefore, they often complain that many social activities are totally unrelated to their professional work and drain a great deal of their energy. Some senior professors are obliged to be busy in office administrative affairs and on research work after office hours.

After analyzing the state of affairs, it is clear that there are many reasons which may cause scientific and technological personnel to be unable to implement their work schedule of spending five-sixths time on their own profession. One of the reasons is that departments concerned have failed to set a clear demarcation line between scientific research units and administrative organs and have not exercised discrimination in making arrangements for study campaigns and labor activities. Another is that a large number of units have not totally rid themselves of formalism in conducting political work and have not sought practical work efficiency. All of this has caused an abnormal state of affairs in which the progress in increasing the originally small number of intellectuals throughout our country is slow, and they are still unable to concentrate their time and efforts on scientific research work.

Doubtless, intellectuals have to participate in some political studies and labor activities. However, these should be scheduled for one-sixth of the week. Responsible comrades of the Provincial Scientific and Technological Commission urged various units to adopt practical measures to ensure that scientific and technological personnel are able to implement the schedule each week of spending five-sixths of their time on professional work.

CSO: 4006/520

PUBLICATIONS

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Machine Tools

AUTHOR: None

ORG: None

TITLE: "How Did Beijing Instrumental Machine Tool Plant Open the International Market for Itself"

SOURCE: Beijing JICHUANG [MACHINE TOOL] in Chinese No 6, 82 pp 47-48

ABSTRACT: In view of the situation of shortfall of demands in the machine industry, the Beijing Instrumental Machine Tool Plant turned from the domestic market to the foreign market. The number of export machine tools increased from the 61 sets in 1980 to the 183 sets in 1981, amounting to more than half of the total machine tools exported from Beijing City. Its machine tools are now being sold in 31 countries in Southeast Asia, Western Europe, and North America, with its chief markets in the USA, W. Germany, Italy, and France. This success has been obtained through: (1) Inviting foreign merchants to the plant for technological discussion as well as trade negotiations; (2) Emphasizing market survey to find a target country for a specific tool; (3) Using merchandise exhibits as the most effective sales approach. Foreign buyers are described in the paper as being extremely competitive, i.e. when the buyer of one country buys, buyers of other countries at an exhibition would all want to buy. The practice of that machine tool plant has also proved that when a product has earned a reputation for itself, sales contracts will be signed in large numbers.

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